

# **Multifaith Housing Initiative**



## **Financial Statements**

**For the year ended October 31, 2019**



**Multifaith Housing Initiative**  
**Financial Statements**  
For the year ended October 31, 2019

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**Baker Tilly Ottawa LLP**  
Chartered Professional Accountants  
400-301 Moodie Drive  
Ottawa, ON  
Canada K2H 9C4

**T:** +1 613.820.8010  
**F:** +1 613.820.0465

ottawa@bakertilly.ca  
[www.bakertilly.ca](http://www.bakertilly.ca)

## **Independent Auditor's Report**

**To the Members of the  
Multifaith Housing Initiative**

### Qualified Opinion

We have audited the financial statements of Multifaith Housing Initiative (the "organization") which comprise the statement of financial position as at October 31, 2019, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect 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, 2019, 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.

### 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 to satisfactory audit verification. Accordingly, our verification of this revenue 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, 2018 was also qualified because of the possible effects of this limitation in scope. Therefore we were not able to determine whether any adjustments may be necessary to the organization's donation and fundraising revenue, the general fund excess (deficiency) of revenue over expenses and cash flows from operations for the years ended October 31, 2019 and 2018, assets as at October 31, 2019 and 2018, and the general fund balance at both the beginning and end of the October 31, 2019 and 2018 years.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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. In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Baker Tilly Ottawa LLP*

Chartered Professional Accountants, Licensed Public Accountants  
April 2, 2020  
Ottawa, Ontario

## Multifaith Housing Initiative Statement of Financial Position

October 31 2019 2018

	General Fund	Capital Asset Fund	Total	Total
<b>Assets</b>				
<b>Current</b>				
Cash (Note 1)	\$ 114,073	\$ 495,684	\$ 609,757	\$ 603,827
Accounts receivable (Note 2)	66,958	160,463	227,421	87,204
Prepaid expenses	40,278	-	40,278	11,691
	221,309	656,147	877,456	702,722
Investments (Note 3)	-	360,463	360,463	37,876
Assets under construction (Note 4)	-	2,208,383	2,208,383	472,281
Tangible capital assets (Note 5)	-	26,549,436	26,549,436	27,129,453
	\$ 221,309	\$ 29,774,429	\$ 29,995,738	\$ 28,342,332

## Multifaith Housing Initiative Statement of Financial Position

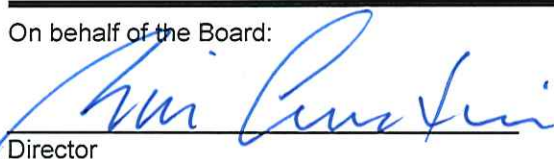
October 31

2019

2018

	General Fund	Capital Asset Fund	Total	Total
<b>Liabilities and Fund Balances</b>				
<b>Current</b>				
Bank indebtedness (Note 1)	\$ -	\$ 174,799	\$ 174,799	\$ -
Accounts payable and accrued liabilities (Note 6)	237,673	677,759	915,432	325,478
Deferred contributions (Note 7)	28,738	-	28,738	10,398
Deferred contributions for capital projects (Note 8)	-	1,782,402	1,782,402	657,877
Current portion of promissory notes payable (Note 9)	-	80,000	80,000	85,000
Current portion of mortgages payable (Note 12)	-	193,655	193,655	186,574
Interfund (receivable)/payable (Note 10)	(554,284)	554,284	-	-
	(287,873)	3,462,899	3,175,026	1,265,327
Promissory notes payable (Note 9)	-	251,000	251,000	261,000
CMHC seed loan payable (Note 11)	-	200,000	200,000	-
Mortgages payable (Note 12)	54,857	9,022,806	9,077,663	9,265,094
Deferred contributions related to capital assets (Note 13)	-	11,602,554	11,602,554	11,922,114
Deferred contributions related to mortgage repayment (Note 14)	345,884	-	345,884	382,293
	112,868	24,539,259	24,652,127	23,095,828
<b>Fund Balances</b>				
Capital reserves (Note 15)	-	255,209	255,209	115,696
Internally restricted for capital fund reserve	9,244	-	9,244	9,244
Internally restricted for invested in tangible capital assets (Note 15)	-	4,979,961	4,979,961	5,038,320
Unrestricted	99,197	-	99,197	83,244
	108,441	5,235,170	5,343,611	5,246,504
	\$ 221,309	\$ 29,774,429	\$ 29,995,738	\$ 28,342,332

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							
	Fundraising Reserve	Capital Fund Reserve	Community Engagement Reserve	Unrestricted	Total 2019	Total 2018	2019	2018
Balance, beginning of year	\$ -	\$ 9,244	\$ -	\$ 83,244	\$ 92,488	\$ (50,677)	\$ 5,154,016	\$ 2,414,519
Excess (deficiency) of revenue over expenses for the year	(37,119)	-	(126,885)	465,855	301,851	407,485	(204,744)	(274,823)
Invested in capital assets								
Repayments of mortgages payable and promissory notes	-	-	-	(202,098)	(202,098)	(181,720)	202,098	181,720
Contribution of land	-	-	-	-	-	-	-	2,750,000
Inter-fund transfers	37,119	-	126,885	(164,004)	-	-	-	-
Net transfer from Unrestricted to Capital Reserve (Note 15)	-	-	-	(83,800)	(83,800)	(82,600)	83,800	82,600
Balance, end of year	\$ -	\$ 9,244	\$ -	\$ 99,197	\$ 108,441	\$ 92,488	\$ 5,235,170	\$ 5,154,016

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



## Multifaith Housing Initiative Statement of Operations

For the year ended October 31

	General Fund					Capital Asset Fund			
	Unrestricted	Fundraising Fund	Community Engagement	Total 2019	Total 2018	Invested in Capital Assets	Capital Reserve	Total 2019	Total 2018
<b>Revenue</b>									
Rental operations (Schedule)	\$ 1,591,662	\$ -	\$ -	\$ 1,591,662	\$ 1,575,346	\$ -	\$ -	\$ -	\$ -
Other contributions	14,473	-	-	14,473	32,876	-	-	-	-
Donations (Note 16)	123,232	109,045	-	232,277	296,813	-	139,797	139,797	-
Interest	6,732	-	-	6,732	5,594	-	5,950	5,950	572
Principal membership	7,700	-	-	7,700	8,300	-	-	-	-
Amortization of deferred contributions related to mortgage repayment	36,409	-	-	36,409	36,409	-	-	-	-
	<b>1,780,208</b>	<b>109,045</b>	<b>-</b>	<b>1,889,253</b>	<b>1,955,338</b>	<b>-</b>	<b>145,747</b>	<b>145,747</b>	<b>572</b>
<b>Expenses</b>									
Rental operations (Schedule)	1,049,269	-	-	1,049,269	1,010,486	-	-	-	-
Capital reserve	-	-	-	-	-	-	90,034	90,034	15,630
Projects	10,029	-	-	10,029	21,611	-	-	-	-
Insurance	4,859	-	-	4,859	4,024	-	-	-	-
Marketing and communications	1,781	-	-	1,781	1,001	-	-	-	-
Fundraising	1,396	69,540	-	70,936	104,783	-	-	-	-
Office	47,441	-	-	47,441	39,886	-	-	-	-
Professional fees	42,807	-	-	42,807	53,785	-	-	-	-
Salaries and benefits	156,771	76,624	126,885	360,280	312,277	-	-	-	-
	<b>1,314,353</b>	<b>146,164</b>	<b>126,885</b>	<b>1,587,402</b>	<b>1,547,853</b>	<b>-</b>	<b>90,034</b>	<b>90,034</b>	<b>15,630</b>
<b>Excess (deficiency) of revenue over expenses before items below</b>	<b>465,855</b>	<b>(37,119)</b>	<b>(126,885)</b>	<b>301,851</b>	<b>407,485</b>	<b>-</b>	<b>55,713</b>	<b>55,713</b>	<b>(15,058)</b>
<b>Amortization of tangible capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(580,017)</b>	<b>-</b>	<b>(580,017)</b>	<b>(579,325)</b>
<b>Amortization of deferred contributions related to tangible capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>319,560</b>	<b>-</b>	<b>319,560</b>	<b>319,560</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>\$ 465,855</b>	<b>\$ (37,119)</b>	<b>\$ (126,885)</b>	<b>\$ 301,851</b>	<b>\$ 407,485</b>	<b>\$ (260,457)</b>	<b>\$ 55,713</b>	<b>\$ (204,744)</b>	<b>\$ (274,823)</b>

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	2019	2018
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenue over expenses for the year		
General fund	\$ 301,851	\$ 407,485
Capital asset fund	(204,744)	(274,823)
Adjustments for		
Amortization of tangible capital assets	580,017	579,325
Amortization of deferred contributions related to tangible capital assets	(319,560)	(319,560)
Amortization of deferred contributions related to mortgage repayment	(36,409)	(36,409)
	<u>321,155</u>	<u>356,018</u>
Changes in non-cash working capital items		
Accounts receivables	(140,217)	266,690
Prepaid expenses	(28,587)	(396)
Accounts payable and accrued liabilities	589,954	(179,432)
Deferred contributions	18,340	10,398
Deferred contributions for capital projects	1,124,525	238,495
	<u>1,885,170</u>	<u>691,773</u>
<b>Cash flows from investing activities</b>		
Additions to tangible capital assets	-	(55,556)
Assets under construction	(1,736,102)	(246,350)
Contributions to investments	(322,587)	(37,876)
	<u>(2,058,689)</u>	<u>(339,782)</u>
<b>Cash flows from financing activities</b>		
Additions to deferred contributions related to capital assets	-	33,831
Addition to long-term mortgage interest payable	6,223	6,223
Promissory notes principal repayments	(15,000)	(15,000)
Addition to mortgages payable	-	250,000
Addition of Seed loan payable	200,000	-
Mortgage principal repayments	(186,573)	(166,198)
	<u>4,650</u>	<u>108,856</u>
<b>Increase (decrease) in cash during the year</b>	<u>(168,869)</u>	<u>460,847</u>
<b>Cash and equivalents, beginning of year</b>	<u>603,827</u>	<u>142,980</u>
<b>Cash and equivalents, end of year</b>	<u>\$ 434,958</u>	<u>\$ 603,827</u>
<b>Represented by</b>		
Cash	\$ 609,757	\$ 603,827
Bank indebtedness	(174,799)	-
	<u>\$ 434,958</u>	<u>\$ 603,827</u>

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## Multifaith Housing Initiative

### Summary of Significant Accounting Policies

October 31, 2019

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<b>Nature of Organization</b>	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.
<b>Basis of Presentation</b>	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.
<b>Fund Accounting</b>	<p>The organization follows the deferral method of accounting for contributions.</p> <p><b>The General Fund</b> accounts for the organization's rental operations, program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.</p> <p><b>The Capital Asset Fund</b> reports the assets, liabilities, revenues and expenses related to the organization's tangible capital assets and externally and internally restricted capital reserves.</p>
<b>Financial Instruments</b>	<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, bank indebtedness, accounts payable and accrued liabilities, promissory notes payable, CMHC seed loan payable and mortgages payable.</p>

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## Multifaith Housing Initiative

### Summary of Significant Accounting Policies

October 31, 2019

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**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



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## Multifaith Housing Initiative Summary of Significant Accounting Policies

October 31, 2019

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**Capital Reserve  
(continued)**

- b) any other capital improvements to the project approved by the City, 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.

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 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**

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.

Gross rents and other revenues are recognized in operations of the General Fund when earned.

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## Multifaith Housing Initiative Notes to Financial Statements

October 31, 2019

### 1. Cash

The organization's bank accounts are held at one credit union. The organization has a credit facility available of \$325,000 (2018 - \$325,000). This facility is secured by the Kent House property and bears interest at credit union prime rate plus 2.7%) and must maintain a debt service coverage ratio of 1. As at October 31, 2019, the organization has met the financial covenant with a ratio of 1.35. Outstanding amounts are due on demand. The credit facility has an outstanding balance of \$174,799 at October 31, 2019 (2018 - nil)

### 2. Accounts Receivable

	General Fund	Capital Asset Fund	2019	2018
Tenant receivables	\$ 52,055	\$ -	\$ 52,055	\$ 35,158
HST receivable	14,903	143,667	158,570	48,470
Grants receivable	-	16,796	16,796	3,576
	<u>\$ 66,958</u>	<u>\$ 160,463</u>	<u>\$ 227,421</u>	<u>\$ 87,204</u>

### 3. Investments

Investments consists of the following:

Canadian bond fund managed by WorldSource Financial Management Inc. and held in trust for the organization by Infrastructure Ontario in the amount of \$84,387 (2018 - \$37,876). The investment is restricted in use for the Haven's capital replacement reserve. Per Note 15, the balance of the Haven's capital replacement reserve is \$69,982. The difference are amounts to be transferred to cover Haven capital expenditures during the year.

Term deposits, held with Alterna credit union totalling \$100,000 (2018 - \$nil), earning interest at 2.80% per annum and maturing in September 2020. The term deposits are security to support irrevocable stand-by letters of credit made to The Canada Lands Company Limited.

Term deposit, held with Alterna credit union totalling \$176,076 (2018 - \$nil), earning interest at 2.10% per annum and maturing in July 2020. The term deposits are security to support irrevocable stand-by letters of credit made to the City of Ottawa.

### 4. Assets Under Construction

Assets under construction of \$2,208,383 (2018 - \$472,281) 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, 2019

### 5. Tangible Capital Assets

	2019			2018		
	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	93,256	166,994	260,250	86,750	173,500
Somerset Gardens						
Condominiums	1,570,286	445,866	1,124,420	1,570,286	406,609	1,163,677
Blake House						
Land	540,296	-	540,296	540,296	-	540,296
Building	1,650,864	466,686	1,184,178	1,650,864	425,415	1,225,449
Unit conversions	273,101	66,416	206,685	273,101	59,589	213,512
Renovations	334,271	45,962	288,309	334,271	37,606	296,665
The Haven						
Land	2,364,440	-	2,364,440	2,364,440	-	2,364,440
Building	19,014,264	1,187,003	17,827,261	19,014,264	711,646	18,302,618
Furniture	8,536	2,134	6,402	8,536	1,280	7,256
Veteran's House						
Land	2,750,000	-	2,750,000	2,750,000	-	2,750,000
Office equipment	3,292	1,481	1,811	3,292	1,152	2,140
Leasehold improvements	6,301	4,411	1,890	6,301	3,151	3,150
	<b>\$ 28,862,651</b>	<b>\$ 2,313,215</b>	<b>\$ 26,549,436</b>	<b>\$ 28,862,651</b>	<b>\$ 1,733,198</b>	<b>\$ 27,129,453</b>

### 6. Accounts Payable and Accrued Liabilities

	General Fund	Capital Asset Fund	2019	2018
Trade payables	\$ 110,494	\$ 677,759	\$ 788,253	\$ 88,589
Advance				
Municipal subsidies	24,463	-	24,463	22,672
Government remittances payable	6,731	-	6,731	5,384
HST payable	-	-	-	108,466
Accrued mortgage interest	9,621	-	9,621	12,260
Last months rent	86,364	-	86,364	88,107
	<b>\$ 237,673</b>	<b>\$ 677,759</b>	<b>\$ 915,432</b>	<b>\$ 325,478</b>

## Multifaith Housing Initiative Notes to Financial Statements

October 31, 2019

### 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:

	2019	2018
Balance, beginning of year	\$ 10,398	\$ -
Add: Contributions received during the year	22,812	10,398
Less: Contributions recognized as revenue for the year	(4,472)	-
Balance, end of year	<u>\$ 28,738</u>	<u>\$ 10,398</u>

### 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	2019	2018
Balance, beginning of year	\$ 117,673	\$ 540,205	\$ 657,878	\$ 419,382
Add: Contributions received during the year	22,124	1,351,243	1,373,367	440,534
Less: Transfer to deferred contributions related to capital assets	-	-	-	(33,831)
Contributions recognized as revenue for the year	(139,797)	(109,046)	(248,843)	(168,208)
Balance, end of year	<u>\$ -</u>	<u>\$ 1,782,402</u>	<u>\$ 1,782,402</u>	<u>\$ 657,877</u>

Contributions recognized as revenue for the year (also presented in Note 16) was used to offset the following fundraising fund expenses:

Insurance	\$ -	\$ -	\$ -	\$ 402
Fundraising	-	69,540	69,540	98,429
Office	-	-	-	3,764
Professional fees	-	-	-	5,379
Salaries and benefits	-	39,506	39,506	60,234
	<u>\$ -</u>	<u>\$ 109,046</u>	<u>\$ 109,046</u>	<u>\$ 168,208</u>

With the Haven completed, unused capital project funds of \$139,797 were recognized as revenue of the capital reserve.

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## Multifaith Housing Initiative Notes to Financial Statements

October 31, 2019

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### 9. Promissory Notes Payable

	2019	2018
Notes payable	\$ 331,000	\$ 346,000
Less: Current portion	<u>(80,000)</u>	<u>(85,000)</u>
	<u>\$ 251,000</u>	<u>\$ 261,000</u>

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 Dec 2019 to Aug 2024.

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

2020	\$ 80,000
2021	61,000
2022	50,000
2023	80,000
2024	<u>60,000</u>
	<u>\$ 331,000</u>

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### 10. Interfund (Receivable)/Payable

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

	General Fund	Capital Asset Fund
Funds used in 2014 to repay mortgage on Kent Street property	\$ (103,535)	\$ 103,535
Funds used in 2016 to repay mortgage on Somerset Gardens property	(315,927)	315,927
Net contributions towards payment for assets under construction - Veteran's House	(229,121)	229,121
Net contributions towards funding of capital reserves	<u>94,299</u>	<u>(94,299)</u>
	<u>\$ (554,284)</u>	<u>\$ 554,284</u>

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## Multifaith Housing Initiative Notes to Financial Statements

October 31, 2019

### 11. CMHC Seed Loan Payable

The organization received a seed loan from Canada Mortgage and Housing Corporation (CMHC) of \$200,000 as preliminary financing towards the costs of Veteran's House. The loan is repayable on the maturity date, which is the earlier of the date the organization will receive final project financing (which is expected to be in November 2020) or February 2023. The loan is interest free until the maturity day, after which interest will be incurred at Canada prime rate plus 2%.

### 12. Mortgages Payable

	2019	2018
Mortgage payable, Infrastructure Ontario, 4.33%, net of amortized refinancing fees of \$12,559, repayable in blended monthly instalments of \$7,375, secured by Blake Boulevard property with net book value of \$2,219,468, general security agreement and assignment of rents and rent supplement agreements, due April 15, 2044.	\$ 1,322,461	\$ 1,351,923
Mortgage payable, City of Ottawa and private lender, 5.5%, secured by Somerset Gardens properties with net book value of \$1,124,420, principal and interest due when properties are sold.		
Principal	113,146	113,146
Accumulated accrued interest payable	67,416	61,193
Mortgage payable, 3.6%, repayable in monthly blended payments of \$35,523, secured by Haven property with net book value of \$20,191,701, matures on November 23, 2047.	7,526,132	7,678,483
Mortgage payable, 3.6%, repayable monthly in blended payments of \$1,149, secured by Haven property with net book value of \$20,191,701, due February 1, 2048.	242,163	246,923
	9,271,318	9,451,668
Less: Current portion	193,655	186,574
	<u>\$ 9,077,663</u>	<u>\$ 9,265,094</u>

In addition, the organization is required by Infrastructure Ontario to maintain a debt service coverage ratio of 1.15. As at October 31, 2019, the organization has met the financial covenant with a ratio of 1.35.

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## Multifaith Housing Initiative Notes to Financial Statements

October 31, 2019

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### 12. Mortgages Payable (continued)

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

2020	\$ 193,655
2021	201,001
2022	208,630
2023	216,548
2024	224,768
Thereafter	<u>8,226,716</u>
	<u>\$ 9,271,318</u>

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### 13. 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>2019</u>	<u>2018</u>
Beginning balance	\$ 11,922,114	\$ 12,207,843
Add: Contributions related to capital assets	-	33,831
Less: Amounts amortized to revenue	<u>(319,560)</u>	<u>(319,560)</u>
Ending balance	<u>\$ 11,602,554</u>	<u>\$ 11,922,114</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, 2019, the estimated unforgiven amount is \$420,000.

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.

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## Multifaith Housing Initiative Notes to Financial Statements

October 31, 2019

### 14. 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:

	2019	2018
Beginning balance	\$ 382,293	\$ 418,702
Less: Amounts amortized to revenue	(36,409)	(36,409)
Ending balance	\$ 345,884	\$ 382,293

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, 2019, the estimated unforgiven amount is \$349,000.

### 15. Capital Asset Fund

#### Capital Reserves

	2019			2018
	Haven	Other	Total	Total
Balance, beginning of year, restated	\$ 90,078	\$ 25,618	\$ 115,696	\$ 48,154
Excess (deficiency) of revenue over expenses for the year	(9,354)	65,067	55,713	(15,058)
Interfund transfer	(52,202)	52,202	-	-
Transfer from unrestricted General Fund Appropriation for the year	41,460	42,340	83,800	82,600
	32,106	107,407	139,513	67,542
Balance, end of year	\$ 69,982	\$ 185,227	\$ 255,209	\$ 115,696

At the beginning of the fiscal year, the board of directors approved a motion to combine capital reserves for Kent and Somerset Gardens. Therefore the balance beginning of year for Other capital reserve represents the opening balances of \$771 and \$24,847 of Kent and Somerset Gardens.



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## Multifaith Housing Initiative Notes to Financial Statements

October 31, 2019

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

Invested in Tangible Capital Assets

	2019	2018
Balance, beginning of year	\$ 5,038,320	\$ 2,366,365
Deficiency of revenue over expenses for the year	(260,457)	(259,765)
Principal repaid of mortgages payable and promissory notes	202,098	181,720
Contribution of land	-	2,750,000
Balance, end of year	<u>\$ 4,979,961</u>	<u>\$ 5,038,320</u>

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16. **Donations Revenue**

	2019	2018
General	\$ 85,529	\$ 96,496
Capital fund		
Fundraising fund	109,045	168,208
Capital reserve	139,797	-
Tulipathon	37,703	32,109
	<u>\$ 372,074</u>	<u>\$ 296,813</u>

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17. **Commitments**

The organization is committed to an office lease with minimum lease payments of \$6,239 and property management services of \$126,180 for 2020.

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18. **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, 2019. 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.



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## Multifaith Housing Initiative Notes to Financial Statements

October 31, 2019

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18. **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.

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19. **Comparative Amounts**

In certain instances, 2018 amounts presented for comparative purposes have been restated to conform to the financial statement presentation adopted for the current year.

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**Multifaith Housing Initiative  
Schedule of Rental Operations**

For the year ended October 31, 2019

	Kent Street	Somerset Gardens	Blake Boulevard	The Haven	Total
<b>Revenue</b>					
Gross rents	\$ 51,925	\$ 83,273	\$ 248,460	\$ 1,173,863	\$ 1,557,521
Rent subsidies	3,167	32,257	108,508	76,698	220,630
Less internal subsidies	(20,265)	(9,924)	(25,995)	(165,174)	(221,358)
Less vacancy losses	(945)	-	(5,858)	(4,762)	(11,565)
	33,882	105,606	325,115	1,080,625	1,545,228
Parking and laundry	193	-	3,715	42,526	46,434
	34,075	105,606	328,830	1,123,151	1,591,662
<b>Expenses</b>					
Bad debt	-	-	4,676	-	4,676
Condominium fees	-	45,538	-	-	45,538
Insurance	1,100	1,000	3,400	27,325	32,825
Interest on promissory notes	3,210	4,759	3,211	-	11,180
Legal	299	-	-	-	299
Professional fees	-	-	983	7,645	8,628
Office	-	-	-	5,450	5,450
Management fees	6,125	12,250	33,925	77,002	129,302
Mortgage interest	-	6,223	56,523	283,597	346,343
Municipal taxes	440	5,836	3,924	3,440	13,640
Repairs and maintenance	16,435	1,958	60,608	231,451	310,452
Superintendent	-	-	2,074	-	2,074
Utilities	6,524	112	37,029	95,197	138,862
	34,133	77,676	206,353	731,107	1,049,269
<b>Net rental income (loss) before amortization</b>	(58)	27,930	122,477	392,044	542,393
<b>Less: amortization of tangible capital assets net of amortization of related deferred contributions related to rental operations</b>	6,506	16,757	32,429	202,322	258,014
<b>Net rental income (loss)</b>	\$ (6,564)	\$ 11,173	\$ 90,048	\$ 189,722	\$ 284,379

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

For the year ended October 31, 2018

	Kent Street	Somerset Gardens	Blake Boulevard	The Haven	Total
<b>Revenue</b>					
Gross rents	\$ 46,783	\$ 75,528	\$ 242,084	\$ 1,149,750	\$ 1,514,145
Rent subsidies	6,905	37,945	108,538	75,443	228,831
Less internal subsidies	(9,817)	(9,456)	(27,916)	(161,208)	(208,397)
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
<b>Expenses</b>					
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
<b>Net rental income (loss) before amortization</b>	(4,545)	25,278	121,653	422,474	564,860
<b>Less amortization of tangible capital assets net of amortization of related deferred contributions related to rental operations</b>	6,506	16,757	32,431	201,627	257,321
<b>Net rental income (loss)</b>	\$ (11,051)	\$ 8,521	\$ 89,222	\$ 220,847	\$ 307,539

