

HOUSE OF FRIENDSHIP
FINANCIAL STATEMENTS
MARCH 31, 2023

INDEX

Independent Auditor's Report

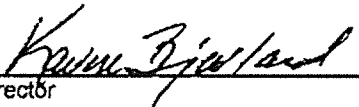
Statement 1 Statement of Financial Position

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Approved on behalf of the Board of Directors:



Director



Director



INDEPENDENT AUDITOR'S REPORT

To the Directors of House of Friendship

Opinion

I have audited the financial statements of **House of Friendship**, which comprise the statement of financial position as at **March 31, 2023**, and the statement of operations and change in net assets, and the statement of cash flows, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **House of Friendship** as at **March 31, 2023** and its results of operations, changes in net assets, and cash flows, for the year then ended, in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

Basis of Opinion

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

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

Management is responsible for the preparation and fair presentation of the consolidated 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.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 auditors' report that includes my 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 Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

E.M. Simon CPA

May 30, 2023
Waterloo, ON

E.M. Simon CPA Professional Corporation

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HOUSE OF FRIENDSHIP
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023

(with comparative figures as at March 31, 2022)

(the accompanying notes are an integral part of the financial statements)

	<u>2023</u>					<u>2022</u>				
	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Reserve Funds</u> (note 2)	<u>Friendship Fund</u> (note 8)	<u>Total</u>	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Reserve Funds</u> (note 2)	<u>Friendship Fund</u> (note 8)	<u>Total</u>
ASSETS										
CURRENT										
Cash and cash equivalents	2,110,741	6,113,265	81,330	-	8,305,336	2,512,452	4,709,527	159,750	-	7,381,729
Accounts receivable	875,181	475,299	5,318	5,657	1,361,455	292,584	1,444,192	3,037	-	1,739,813
Prepaid expenses	114,337	-	-	-	114,337	137,223	-	-	-	137,223
Investments (note 2)	-	4,054,396	353,606	636,531	5,044,533	-	3,134,841	431,320	641,709	4,207,870
	3,100,259	10,642,960	440,254	642,188	14,825,661	2,942,259	9,288,560	594,107	641,709	13,466,635
INVESTMENTS (note 2)	-	1,300,000	169,000	150,000	1,619,000	-	2,200,151	183,399	-	2,383,550
PROPERTY AND EQUIPMENT (note 3)	-	37,134,637	-	-	37,134,637	-	29,049,825	-	-	29,049,825
	\$3,100,259	\$49,077,597	\$609,254	\$792,188	\$53,579,298	\$2,942,259	\$40,538,536	\$777,506	\$641,709	\$44,900,010
LIABILITIES										
CURRENT										
Accounts payable	1,474,687	833,914	-	-	2,308,601	994,515	334,733	-	-	1,329,248
Government remittance payable	289,096	-	-	-	289,096	152,879	-	-	-	152,879
Deferred income (note 4)	1,030,535	-	-	-	1,030,535	1,574,405	-	-	-	1,574,405
Current long-term debt (note 5)	-	1,673,134	-	-	1,673,134	-	519,251	-	-	519,251
	2,794,318	2,507,048	-	-	5,301,366	2,721,799	853,984	-	-	3,575,783
LONG-TERM (note 5)	-	22,689,854	-	-	22,689,854	-	20,533,885	-	-	20,533,885
TOTAL LIABILITIES	2,794,318	25,196,902	-	-	27,991,220	2,721,799	21,387,869	-	-	24,109,668
NET ASSETS										
Unrestricted	305,941	-	-	-	305,941	220,460	-	-	-	220,460
Externally restricted (note 10)	-	5,413,424	198,550	-	5,611,974	-	5,208,949	378,258	-	5,587,207
Internally restricted (note 10)	-	5,695,622	410,704	792,188	6,898,514	-	5,945,029	399,248	641,709	6,985,986
Invested in property and equipment	-	12,771,649	-	-	12,771,649	-	7,996,689	-	-	7,996,689
	305,941	23,880,695	609,254	792,188	25,588,078	220,460	19,150,667	777,506	641,709	20,790,342
	\$3,100,259	\$49,077,597	\$609,254	\$792,188	\$53,579,298	\$2,942,259	\$40,538,536	\$777,506	\$641,709	\$44,900,010

HOUSE OF FRIENDSHIP**STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS****FOR THE YEAR ENDED MARCH 31, 2023**

(with comparative figures for the year ended March 31, 2022)

(the accompanying notes are an integral part of the financial statements)

	2023					2022				
	Operating Fund	Capital Fund	Reserve Funds	Friendship Fund	Total	Operating Fund	Capital Fund	Reserve Funds	Friendship Fund	Total
REVENUES										
Donations -general, designated and events	3,877,044	100,000	-	348,500	4,325,544	3,586,486	1,300,000	-	-	4,886,486
Donations - project-specific	292,406	4,169,132	-	-	4,461,538	319,713	4,337,046	-	-	4,656,759
Regional government	4,957,754	779,947	46,902	-	5,784,603	6,354,635	240,737	45,225	-	6,640,597
Municipal governments	255,015	-	-	-	255,015	190,375	-	-	-	190,375
Provincial government	7,149,290	68,601	-	-	7,217,891	5,584,964	44,375	-	-	5,629,339
Federal government	51,406	150,000	-	-	201,406	50,864	-	-	-	50,864
Client income	282,328	-	-	-	282,328	266,941	-	-	-	266,941
Other grants and income	836,008	10,526	-	-	846,534	781,220	1,330	-	-	782,550
Investment income (loss)	88,399	64,488	8,884	(8,021)	153,750	25,947	156,099	(3,959)	64,735	242,822
Bequests	341,226	-	-	-	341,226	610,037	-	-	-	610,037
	18,130,876	5,342,694	55,786	340,479	23,869,835	17,771,182	6,079,587	41,266	64,735	23,956,770
EXPENSES										
Salaries, benefits, contract labour	12,335,342	-	-	-	12,335,342	11,932,022	-	-	-	11,932,022
Client services	1,476,501	-	-	-	1,476,501	2,367,651	-	-	-	2,367,651
Vehicle	92,421	-	-	-	92,421	241,492	-	-	-	241,492
Facilities	3,026,961	174,816	-	-	3,201,777	1,919,992	98,061	-	-	2,018,053
Office, administration, special projects	581,342	381,687	-	-	963,029	372,683	72,174	-	-	444,857
Professional fees	234,653	106,661	-	-	341,314	383,208	291,381	-	-	674,589
Amortization	-	661,715	-	-	661,715	-	385,502	-	-	385,502
	17,747,220	1,324,879	-	-	19,072,099	17,217,048	847,118	-	-	18,064,166
EXCESS FROM OPERATIONS	383,656	4,017,815	55,786	340,479	4,797,736	554,134	5,232,469	41,266	64,735	5,892,604
INTERFUND TRANSFERS (note 9)										
Programs and projects - budgeted	45,451	210,987	(226,438)	(30,000)	-	79,829	(25,219)	(24,610)	(30,000)	-
Reserve funding and transfers	(2,400)	-	2,400	-	-	(2,400)	-	2,400	-	-
Bequests	(341,226)	341,226	-	-	-	(610,037)	610,037	-	-	-
Future capital projects	-	160,000	-	(160,000)	-	-	-	-	-	-
CHANGE IN NET ASSETS	85,481	4,730,028	(168,252)	150,479	4,797,736	21,526	5,817,287	19,056	34,735	5,892,604
NET ASSETS - opening	220,460	19,150,667	777,506	641,709	20,790,342	198,934	13,333,380	758,450	606,974	14,897,738
NET ASSETS - closing	\$305,941	\$23,880,695	\$609,254	\$792,188	\$25,588,078	\$220,460	\$19,150,667	\$777,506	\$641,709	\$20,790,342

HOUSE OF FRIENDSHIP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023

(with comparative figures for the year ended March 31, 2022)

(the accompanying notes are an integral part of the financial statements)

SOURCES (USES) OF CASH:	<u>2023</u>					<u>2022</u>				
	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Reserve Funds</u>	<u>Friendship Fund</u>	<u>Total</u>	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Reserve Funds</u>	<u>Friendship Fund</u>	<u>Total</u>
OPERATING ACTIVITIES										
Excess (deficit) for the year	383,656	4,017,815	55,786	340,479	4,797,736	554,134	5,232,469	41,266	64,735	5,892,604
Items not affecting cash:										
Amortization	-	661,715	-	-	661,715	-	385,502	-	-	385,502
Change in accounts receivable	(582,597)	968,893	(2,281)	(5,657)	378,358	439,424	(1,306,035)	618	-	(865,993)
Change in prepaid expenses	22,886	-	-	-	22,886	12,486	-	-	-	12,486
Change in accounts payable	616,389	499,181	-	-	1,115,570	(392,298)	216,086	-	-	(176,212)
Change in deferred income	(543,870)	-	-	-	(543,870)	(218,983)	-	-	-	(218,983)
	(103,536)	6,147,604	53,505	334,822	6,432,395	394,763	4,528,022	41,884	64,735	5,029,404
INVESTING ACTIVITIES										
Investments purchased	-	(1,861,933)	(92,907)	(250,000)	(2,204,840)	-	(3,291,915)	(152,887)	(37,357)	(3,482,159)
Investments matured or liquidated	-	1,842,529	185,020	105,178	2,132,727	-	2,183,606	159,954	2,622	2,346,182
Property and equipment purchased	-	(8,746,527)	-	-	(8,746,527)	-	(17,497,759)	-	-	(17,497,759)
	-	(8,765,931)	92,113	(144,822)	(8,818,640)	-	(18,606,068)	7,067	(34,735)	(18,633,736)
FINANCING ACTIVITIES										
Allocations from (to) other funds	(298,175)	712,213	(224,038)	(190,000)	-	(532,608)	584,818	(22,210)	(30,000)	-
Long-term debt obtained	-	12,003,331	-	-	12,003,331	-	17,000,000	-	-	17,000,000
Long-term debt repaid	-	(8,693,479)	-	-	(8,693,479)	-	(285,112)	-	-	(285,112)
	(298,175)	4,022,065	(224,038)	(190,000)	3,309,852	(532,608)	17,299,706	(22,210)	(30,000)	16,714,888
CHANGE FOR THE YEAR	(401,711)	1,403,738	(78,420)	-	923,607	(137,845)	3,221,660	26,741	-	3,110,556
CASH AND CASH EQUIVALENTS - opening	2,512,452	4,709,527	159,750	-	7,381,729	2,650,297	1,487,867	133,009	-	4,271,173
CASH AND CASH EQUIVALENTS - closing	\$2,110,741	\$6,113,265	\$81,330	\$0	\$8,305,336	\$2,512,452	\$4,709,527	\$159,750	\$0	\$7,381,729

HOUSE OF FRIENDSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

STATUS AND NATURE OF ACTIVITIES

Founded in 1939, House of Friendship serves Waterloo Region with a vision to build a healthy community where everyone can belong and thrive. Each year, House of Friendship walks with more than 20,000 individuals and families who need food, housing, addiction treatment, or access to vital community resources. House of Friendship is incorporated without share capital, and as a registered charity, is exempt from income tax.

1. ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared using Canadian Accounting Standards for Not-for-profit Organizations.

Fund Accounting

House of Friendship uses fund accounting to maintain its books and records. Fund accounting comprises the collective accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions.

Operating Fund - This fund reflects the assets, liabilities, revenues and expenses related to program delivery and administrative activities.

Capital Fund - This fund reflects the assets, liabilities, revenues and expenses related to property, equipment and long-term investments. The Board has restricted use of the investments and current assets for capital related transactions. The Board has a policy of transferring undesignated bequests to the Capital Fund.

Reserve Funds - These reserves were established to accumulate funds to finance expected future capital maintenance costs at the respective properties. Contributions to and disbursements from the Eby Village reserve are governed by specific funding agreements for the respective properties. Contributions to and disbursements from the remaining reserves are made at the Board's discretion.

Friendship Fund - These funds have both a Revocable and an Irrevocable component. The terms of the Irrevocable portion of the trust restrict access to the capital until the trust agreement is terminated or ten years has elapsed for any contribution to the fund, at which point the House of Friendship may direct payment of the capital remaining in the fund to the charity of its choice. The assets held in the Irrevocable portion of the fund at the end of the fiscal year, are not reflected on the statement of financial position because access to the assets is substantially restricted. The assets reflected on the statement of financial position represent only the assets held in the Revocable component of the fund. Income earned by both the Irrevocable and the Revocable components of this fund are received annually and used as needed to support community outreach programs.

Revenue recognition

House of Friendship uses the restricted fund method of accounting for restricted contributions, whereby contributions designated to non-operating funds are reflected as income when received or receivable, and to the extent they are unexpended, reflected as restricted net assets on the statement of financial position. Restricted contributions received or receivable by the Operating Fund are reflected as deferred income until spent as designated. When the Operating Fund receives contributions that are restricted with respect to a program and to a particular time period, the restricted funding is recognized in the designated time period, to the extent expended. When the Operating Fund receives contributions that are restricted with respect to a program but not to a particular time period, the contributions are transferred from deferred income and recognized as income to the extent expended after management's review of the program's other potential sources of funding for the program's expenditures, such as general donations or surpluses from prior years. Donations-in-kind of capital items are recognized as revenue at fair value when determinable, however, donations of food and other program supplies and services are not reflected as revenue, because it is impractical to determine a monetary value.

HOUSE OF FRIENDSHIP
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

1. ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in bank accounts, plus investments with terms of 90 days or less.

Property and equipment

Property and equipment are reflected at cost, which is amortized at the following annual rates:

Buildings and leasehold improvements	over 40 years, calculated on a straight-line basis
Furniture and equipment	over 5 years, calculated on a straight-line basis
Vehicles	over 7 years, calculated on a straight-line basis

Financial instruments

A financial instrument is a contract that creates a financial asset for one entity and a financial liability or equity instrument of another. Financial assets and liabilities are initially measured at fair value, except for non-arm's length transactions, if any. The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments with quoted fair values in an active market, if any, which are measured at fair value. Changes in fair value are recognized in net income. Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized on the statement of operations and changes in net assets. Any previously recognized impairment losses may be reversed and reflected as income to the extent of improvement. Transaction costs are recognized in net income 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.

2. FINANCIAL INSTRUMENTS

	<u>2023</u>	<u>2022</u>
Financial assets:		
Investments		
Carried at fair value - equity investments	2,035,269	2,908,407
Carried at amortized cost - fixed term securities at rates between .91% and 4.8%	3,009,264	1,299,463
Investments reflected as current assets	5,044,533	4,207,870
Cash and fixed term securities bearing interest at rates between 3.25% and 5.15%:		
Maturing in the forthcoming fiscal year +1	619,000	2,375,550
Maturing in the forthcoming fiscal year +2	700,000	8,000
Maturing in the forthcoming fiscal year +3	300,000	-
Investments reflected as non-current assets	1,619,000	2,383,550
Other financial assets (cash and accounts receivable) carried at amortized cost	9,033,548	7,548,440
Total financial assets	\$15,697,081	\$14,139,860

As in the prior year, management believes the organization does face some interest rate and market risk with respect to its investments, in that, changes in market interest rates and changes in equity markets could impact the value of investments held by the organization. As in the prior year, management believes it does not face any significant credit, currency or liquidity risk with respect to its financial instruments.

	<u>Opening</u> <u>Balance</u>	<u>Income</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Closing</u> <u>Balance</u>
Assets in capital replacement reserves.					
Externally restricted:					
Eby Village	378,258	46,730	-	(226,438)	198,550
Internally restricted:					
63 Charles Street	179,004	3,697	-	-	182,701
Charles Village	133,197	3,287	2,400	-	138,884
Ann Street	87,047	2,072	-	-	89,119
	399,248	9,056	2,400	-	410,704
Closing Balance	\$777,506	\$55,786	\$2,400	(\$226,438)	\$609,254

HOUSE OF FRIENDSHIP
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

3. PROPERTY AND EQUIPMENT

	2023		2022	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land:				
- 51 & 55 Charles St. E., Kitchener	99,128	-	99,128	99,128
- 63 Charles St. E., Kitchener	165,147	-	165,147	165,147
- 190 Weber St. N. Waterloo	1,709,265	-	1,709,265	1,709,265
- 75 Charles St. E., Kitchener	76,367	-	76,367	76,367
- 42 Eby St., Kitchener	700,000	-	700,000	700,000
- 50 Eby St., Kitchener	1,000,849	-	1,000,849	1,000,849
- 807 Guelph St., Kitchener	66,283	-	66,283	66,283
- 71 Ann St., Kitchener	400,000	-	400,000	400,000
- 562 Concession Rd., Cambridge	480,000	-	480,000	480,000
	4,697,039	-	4,697,039	4,697,039
Buildings and leasehold improvements:				
- 51 & 55 Charles St. E., Kitchener	306,963	225,135	81,828	89,502
- 63 Charles St. E., Kitchener	495,444	361,473	133,971	146,356
- 190 Weber St. N. Waterloo	21,931,812	274,148	21,657,664	13,643,640
- 75 Charles St. E., Kitchener	2,433,578	1,296,363	1,137,215	1,198,055
- 42 Eby St., Kitchener	323,728	-	323,728	323,728
- 50 Eby St., Kitchener	3,094,542	2,251,172	843,370	920,733
- 807 Guelph St., Kitchener	1,038,288	294,671	743,617	769,574
- 71 Ann St., Kitchener	2,063,914	527,866	1,536,048	1,587,646
- 562 Concession Rd., Cambridge	4,676,553	292,077	4,384,476	4,501,390
- Supportive Housing Community Hub	* 1,463,752	-	1,463,752	640,388
	37,828,574	5,522,905	32,305,669	23,821,012
Furniture and equipment	277,752	167,503	110,249	506,152
Vehicles	147,601	125,921	21,680	25,622
	\$42,950,966	\$5,816,329	\$37,134,637	\$29,049,825

* In process, therefore no amortization claimed

4. SERVICE CONTRACTS AND DESIGNATED FUNDING

House of Friendship has service contracts with the Region of Waterloo, the Ministry of Health and Long-Term Care, and the Ministry of Children, Community and Social Services. One requirement of the contracts is the production by management of annual financial statements, which disclose a summary by service of all revenues and expenditures and any resulting surplus or deficit that relates to the contract. Any surpluses are reflected as Deferred Income on the Operating Fund Balance Sheet. In addition, the House of Friendship receives donations which are designated for specific programs. These funds are also reflected as deferred income until spent as designated.

Service contracts and related deferred balances:	<u>Opening</u>	<u>Funds</u>	<u>Funds</u>	<u>Closing</u>
	<u>Deferral</u>	<u>Received</u>	<u>Spent</u>	<u>Deferral</u>
Region of Waterloo	703,248	5,116,325	5,784,603	34,970
Municipal	30,000	225,015	255,015	-
Province	56,344	7,547,891	7,217,891	386,344
Other designated donations and grants	784,813	952,822	1,128,414	609,221
	\$1,574,405	\$13,842,053	\$14,385,923	\$1,030,535

HOUSE OF FRIENDSHIP
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

5. LONG-TERM DEBT

	<u>2023</u> <u>Interest</u> <u>paid</u>	<u>2022</u> <u>Interest</u> <u>paid</u>	<u>2023</u> <u>Balance</u>	<u>2022</u> <u>Balance</u>
Mortgages payable:				
Eby Village - 1.74%, \$18,469 principal and interest monthly, due October 2025	11,677	13,863	559,501	769,448
Ann St. - 3.6%, \$3,037 principal and interest monthly, due January 2024	15,374	22,278	418,987	440,051
Concession Rd. - 3.6%, \$4,455 principal and interest monthly, due October 2023	26,395	30,642	726,548	753,613
Weber St. - 4.2% variable rate first mortgage, \$36,994 principal and interest monthly, due January 2027	* 507,410	41,012	-	5,967,024
Weber St. - 3.19% first mortgage, renewal April 2033, see note below re. CMHC for remaining term	* 31,621	-	9,590,247	-
Weber St. - 4% second mortgage, interest only due annually, principal due January 2027	* 110,709	21,774	-	2,500,000
Community bonds:				
Concession Rd. - 4%, interest only payable annually, principal due April 2025	48,000	48,000	1,200,000	1,200,000
	751,186	177,569	12,495,283	11,630,136
Forgivable Loans:				
Province of Ontario - Ministry of Municipal Affairs and Housing - Charles Village			593,000	593,000
Province of Ontario - Ministry of Municipal Affairs and Housing - Weber St., Waterloo			2,444,705	-
Regional Municipality of Waterloo - Weber St., Waterloo			8,500,000	8,500,000
Regional Municipality of Waterloo - Charles Village			330,000	330,000
			24,362,988	21,053,136
Current portion of long-term debt			1,673,134	519,251
Long-term debt due beyond one year			\$22,689,854	\$20,533,885

* Interest capitalized as a construction cost - 190 Weber St. N., Waterloo

In 2004, the Province of Ontario - Ministry of Municipal Affairs and Housing and the Regional Municipality of Waterloo provided forgivable loans of \$593,000 and \$330,000 respectively, to fund the construction of the buildings known as Charles Village. Interest payments are forgiven annually, and principal repayment will be forgiven in 2026, provided House of Friendship complies with the terms of an agreement with the Ministry which defines the nature of the affordable housing to be provided. Principal and interest, calculated at the higher of the current prime rate for a five-year commercial mortgage plus 2% and the interest rate of the first mortgage plus 2%, may be demanded by the Ministry, if the terms of the agreement with the Ministry are not met. The loans are secured by a mortgage on the real estate and chattels, and an assignment of rents and insurance.

In the 2022 fiscal year, a forgivable loan of \$8,500,000 was received from the Region of Waterloo to fund the purchase and renovation of a hotel in Waterloo. The amount of the loan is to be forgiven in December 2031, provided House of Friendship complies with the terms of the loan agreement, which stipulates that the property must be used continuously as a hotel for individuals experiencing homeless for the entire term of the loan. Should House of Friendship default with respect to any provisions of the loan agreement, interest, calculated at prime plus two percent from the inception of the loan, plus the outstanding principal, must be paid to the Region of Waterloo. This loan is secured by a \$8,500,000 third mortgage on the property, an assignment of rents, a general security agreement, insurance, and a number of guarantees provided by House of Friendship.

HOUSE OF FRIENDSHIP
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

5. LONG-TERM DEBT (continued)

In the current fiscal year, House of Friendships received mortgage financing from Canada Mortgage and Housing Corporation's National Housing Co-Investment Fund, to fund the purchase and renovation of a hotel in Waterloo. The funding consists of a \$2,444,705 forgivable portion, which will be forgiven in equal amounts annually over twenty years, provided House of Friendship complies with the terms of the loan agreement. The funding also has a repayable portion. The specific monthly payments of principal and interest have not yet been determined, but, according to the agreement between the parties, will be calculated using a fifty year amortization. The financing is secured by a first collateral mortgage on House of Friendship's Weber St. property equal to 120% of the loans, a general security agreement, an Operating Agreement, a first priority general assignment of rents, an assignment of contracts and all insurance policies respecting the project, and a postponement agreement from the Region of Waterloo respecting the project lands.

All mortgages payable are secured by a first, second or third mortgages on the respective real estate. The Community Bonds are secured by a second mortgage on the property noted above.

Projected principal repayments and forgiveness, of long-term debt, given the current terms and conditions:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Forgiveness</u>	<u>Total</u>
2024	1,550,899	122,235	1,673,134
2025	409,110	122,235	531,345
2026	1,520,442	122,235	1,642,677
2027	191,805	1,045,235	1,237,040
2028 and thereafter	8,823,027	11,378,764	20,201,791
	<u>\$12,495,283</u>	<u>\$12,790,704</u>	<u>\$25,285,987</u>

6. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

Credit Facilities

House of Friendship has a line of credit available to a maximum of \$200,000 through the Kindred Credit Union, which bears interest at prime and is secured by investments.

Contractual Obligations

In the 2011 fiscal year, House of Friendship entered into an agreement with the Region of Waterloo for a renovation grant with respect to its Eby Street housing program which requires the organization to continue to operate the program as an affordable housing project for twenty years subsequent to receipt of the grant.

7. ECONOMIC DEPENDENCE

The House of Friendship receives a significant portion of its funding for several programs from various levels of government. The continuance of many of the organization's programs in their present form is dependent on continued funding from these or similar entities.

8. FRIENDSHIP FUND

	<u>2023</u>	<u>2022</u>
Revocable component	792,188	641,709
Irrevocable component	194,182	542,682
	<u>\$986,370</u>	<u>\$1,184,391</u>

See note 1 for an explanation of revocable versus irrevocable

HOUSE OF FRIENDSHIP
NOTES TO THE FINANCIAL STATEMENTS
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9. INTERFUND TRANSFERS

Programs and projects - budgeted - Board approved transfers to fund expenditures in various Operating Fund programs and projects.

Reserve funding - discretionary funds transferred to finance current and future significant facility costs.

Bequests - the organization has a policy of transferring unrestricted bequests to the Capital Fund to fund future capital costs.

Future capital projects - in the current year, a transfer was made from the Friendship Fund to the Capital Fund to fund some of the costs related to a planned supportive housing hub.

10. RESTRICTED NET ASSETS

Externally restricted net assets represent assets on hand, the use of which has been restricted by third parties. Externally restricted assets in the Capital Fund represent unspent donations and grants which were designated for capital related expenditures. Externally restricted net assets in the Reserve Fund represent cash and investments which have accumulated in compliance with agreements with funders, and are to be used to fund capital related maintenance at the Eby Village property.

Internally restricted net assets represent net assets, the use of which has been restricted by the Board of Directors. Internally restricted assets in the Capital Fund represents funds that have been set aside by the Board, along with accumulated investment income, for capital related projects. Internally restricted net assets in the Reserve Fund represent cash and investments that have been set aside in reserve to fund capital related costs at to the Charles Village, Ann Street and 63 Charles Street properties. Internally restricted investments held in the Friendship Fund generate income to be used to support community outreach programs..

HOUSE OF FRIENDSHIP
NOTES TO THE FINANCIAL STATEMENTS
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ADDITIONAL DISCLOSURES

The following disclosures have been requested by the funders noted, but are not required for fair presentation of the financial statements in accordance with Canadian Accounting Standards for Not-for-profit Organizations

REGION OF WATERLOO

Rental charges:

Funding agreements with the Region of Waterloo require the following disclosure with respect to the Eby Village program:

	<u>Eby</u> <u>Village</u>	<u>Charles</u> <u>Village</u>
Gross rental charges	537,514	210,333
Rent-geared-to-income subsidy	(485,554)	(75,663)
Vacancy gain (loss)	(5,715)	-
Net rental charges	\$46,245	\$134,670

Cash and investments held in the Reserve Fund:

Eby Village

	<u>2023</u>	<u>2022</u>
Cash	37,742	117,279
Encasa Canadian Short-term Bond Fund	160,808	260,979
	\$198,550	\$378,258

MUNICIPAL FUNDING

	<u>2023</u>	<u>2022</u>
Purchase of services - City of Kitchener	208,515	150,375
Purchase of services - City of Waterloo	46,500	40,000
	\$255,015	\$190,375