

**Financial Statements**

**Victoria Park Community Homes Inc.**

Hamilton, Ontario

*December 31, 2017*

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We take responsibility for (approve) these financial statements.  
In addition, we approve your recommended adjusting and reclassification entries.

DIRECTOR \_\_\_\_\_

DIRECTOR \_\_\_\_\_

**PLEASE PRINT NAMES ON PAGE 5**

THE **DATE** MANAGEMENT TAKES RESPONSIBILITY FOR (APPROVES)  
THESE FINANCIAL STATEMENTS \_\_\_\_\_

DATE OF A.G.M. \_\_\_\_\_

DATE REQUIRED \_\_\_\_\_

# OF COPIES \_\_\_\_\_

## Contents

|   |         |
|---|---------|
| Independent Auditors' Report.....       | 3 - 4   |
| Statement of Financial Position.....    | 5 - 6   |
| Statement of Changes in Net Assets..... | 7       |
| Statement of Operations.....            | 8       |
| Schedule of Expenditures.....           | 9       |
| Statement of Cash Flows.....            | 10      |
| Notes to Financial Statements.....      | 11 - 25 |

## **Independent Auditors' Report**

### **To the Members of Victoria Park Community Homes Inc. and other Specified Users as described in Note 1:**

We have audited the accompanying financial statements of Victoria Park Community Homes Inc., which comprise the statement of financial position as at December 31, 2017 and the statements of changes in net assets, operations and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on financial reporting requirements of the Housing Services Act (HSA).

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting requirements of the HSA, 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.

#### **Auditors' 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 Corporation'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 Corporation'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

continued...

## **Independent Auditors' Report - continued**

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Victoria Park Community Homes Inc. as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting requirements of the HSA.

### **Basis of Accounting and Restriction on Use**

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Victoria Park Community Homes Inc. in complying with the financial reporting requirements referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the members of Victoria Park Community Homes Inc. and Specified Users as described in Note 1 and should not be used by parties other than these specified users.

Toronto, Ontario  
[Date of the auditors' report]

Chartered Professional Accountants, Licensed Public Accountants

**Victoria Park Community Homes Inc.**

(a corporation without share capital)

December 31, 2017

| <b>Statement of Financial Position</b> | 2017         | 2016       |
|--|--------------|------------|
| <b>Current Assets</b>                  |              |            |
| Cash                                   | \$ 2,429,511 | \$ 406,174 |
| Receivables, Note 4                    | 1,389,174    | 936,119    |
| Prepaid expenses                       | 689,838      | 315,374    |
| <b>Total Current</b>                   | 4,508,523    | 1,657,667  |
| <b>Investments</b> , Note 5            | 11,931,784   | 1,901,381  |
| <b>Capital Assets</b> , Note 6         | 41,154,565   | 44,965,596 |

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|  |            |            |
|--|------------|------------|
|  | 57,594,872 | 48,524,644 |
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**Approved by The Board**

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Director

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Director

**Victoria Park Community Homes Inc.**

(a corporation without share capital)

December 31, 2017

| <b>Statement of Financial Position</b>                       | 2017         | 2016         |
|--|--------------|--------------|
|  |              | Note 18      |
| <b>Current Liabilities</b>                                   |              |              |
| Accounts payable and accrued liabilities, Note 7             | \$ 1,777,614 | \$ 2,289,000 |
| Accrued mortgage interest                                    | 145,909      | 132,692      |
| Prepaid rents  | 233,486      | 230,975      |
| Deferred revenue   | 299,507      | 299,080      |
| Current portion of loan payable to VPAHC, Note 10            | 102,491      | 99,502       |
| <b>Total Current</b>   | 2,559,007    | 3,051,249    |
| <b>Tenants' Security Deposits</b>                            | 926,909      | 898,744      |
| <b>Mortgages Payable</b> , Note 9                            | 44,860,550   | 37,990,534   |
| <b>Due to Regional Municipality of Waterloo</b> , Note 11    | 236,345      | 236,345      |
| <b>Deferred Contributions Related to Capital Assets</b> , 13 | 1,401,400    | 1,447,600    |
| <b>Loan Payable To VPAHC</b> , Note 10                       | 3,179,931    | 3,282,422    |
| <b>Bank loan</b> , Note 8                                    | 173,682      | 179,225      |
| <b>Contingent Liabilities</b> , Note 14                      |              |              |
| <b>Total Liabilities</b>                                     | 53,337,824   | 47,086,119   |
| <b>Net Assets</b> , per statement                            |              |              |
| <i>Externally restricted</i>                                 |              |              |
| Replacement reserve fund, Notes 15 and 16                    | 1,573,086    | 1,444,429    |
| Subsidy surplus reserve fund, Note 15(b)                     | 0            | 0            |
| <i>Internally restricted</i>                                 |              |              |
| Insurance reserve fund, Notes 15(c)                          | 150,000      | 150,000      |
| Future project development fund, Notes 15(d)                 | 1,093,695    | 1,093,695    |
| Contributed surplus  | 353,611      | 353,611      |
| Unrestricted   | 1,086,656    | (1,603,210)  |
|  | 4,257,048    | 1,438,525    |
|  | 57,594,872   | 48,524,644   |

The notes on pages 11 through 25 form an integral part of these financial statements.

**Victoria Park Community Homes Inc.**

(a corporation without share capital)

Year ended December 31, 2017

**Statement of Changes in Net Assets**

|   | Externally Restricted       |                         | Internally Restricted     |                                       |                        |                  | 2017<br>Total    | 2016<br>Total    |
|---|-----------------------------|-------------------------|---------------------------|---------------------------------------|------------------------|------------------|------------------|------------------|
|   | Replacement<br>Reserve Fund | Subsidy<br>Surplus Fund | Insurance<br>Reserve Fund | Future Project<br>Development<br>Fund | Contributed<br>Surplus | Unrestricted     |                  |                  |
|   | Note 16                     | Note 18                 |                           |                                       |                        |                  |                  |                  |
| Balance beginning                       | \$ 1,444,429                | \$ 0                    | \$ 150,000                | \$ 1,093,695                          | \$ 353,611             | \$ (1,603,210)   | \$ 1,438,525     | \$ 995,595       |
| Add (deduct)                            |                             |                         |                           |                                       |                        |                  |                  |                  |
| Excess of revenues over expenditures    | 0                           | 0                       | 0                         | 0                                     | 0                      | 2,777,376        | 2,777,376        | 744,869          |
| Reserve funding                         | 652,651                     | 0                       | 0                         | 0                                     | 0                      | 0                | 652,651          | 813,195          |
| Reserve investment income, Note 5       | 21,432                      | 0                       | 0                         | 0                                     | 0                      | 0                | 21,432           | 70,711           |
| Recovery of expenses                    | 0                           | 0                       | 0                         | 0                                     | 0                      | 0                | 0                | 84,362           |
| Interfund transfer, Notes 15(a) and (b) | 87,510                      | 0                       | 0                         | 0                                     | 0                      | (87,510)         | 0                | 0                |
| Solar revenue                           | 34,169                      | 0                       | 0                         | 0                                     | 0                      | 0                | 34,169           | 58,468           |
| Capital funding                         | 1,573,747                   | 0                       | 0                         | 0                                     | 0                      | 0                | 1,573,747        | 0                |
| Reserve expenditures, Note 16           | (2,240,852)                 | 0                       | 0                         | 0                                     | 0                      | 0                | (2,240,852)      | (1,328,675)      |
| <b>Balance December 31</b>              | <b>1,573,086</b>            | <b>0</b>                | <b>150,000</b>            | <b>1,093,695</b>                      | <b>353,611</b>         | <b>1,086,656</b> | <b>4,257,048</b> | <b>1,438,525</b> |

**Victoria Park Community Homes Inc.**

(a corporation without share capital)

Year ended December 31, 2017

| <b>Statement of Operations</b>                                      | 2017              | 2016              |
|---|-------------------|-------------------|
| <b>Revenues</b>   |                   |                   |
| Rents   | \$ 15,195,977     | \$ 15,449,001     |
| Operating subsidy and provincial rent supplement                    | 7,369,117         | 6,933,679         |
| Commercial rental income  | 41,507            | 40,919            |
| Vacancy losses  | (216,085)         | (227,604)         |
| Amortization of deferred contributions, Note 13                     | 46,200            | 46,200            |
| <b>Total Revenues</b>   | <b>22,436,716</b> | <b>22,242,195</b> |
| <b>Expenses</b>   |                   |                   |
| Mortgage interest   | 1,457,488         | 1,600,607         |
| Less: federal interest reduction grant                              | (312,894)         | (855,941)         |
|   | 1,144,594         | 744,666           |
| Harmonized sales tax  | 210,104           | 241,674           |
| Property, per schedule  | 6,865,953         | 7,170,657         |
| Operating, per schedule   | 6,579,016         | 6,996,031         |
| Interest on tenants' deposits, net                                  | 2,323             | 7,382             |
| Amortization  | 4,164,763         | 5,142,255         |
| Replacement reserve allocation                                      | 652,651           | 813,195           |
| <b>Total Expenses</b>   | <b>19,619,404</b> | <b>21,115,860</b> |
| <b>Excess of Revenues Over Expenditures Before Direct Subsidies</b> | <b>2,817,312</b>  | <b>1,126,335</b>  |
| Direct subsidies  | (49,371)          | (833,722)         |
| <b>Excess of Revenues Over Expenditures Before Other</b>            | <b>2,767,941</b>  | <b>292,613</b>    |
| <b>Other</b>  |                   |                   |
| Prior year subsidy adjustments                                      | 9,435             | (37,979)          |
| Gain on sale of properties  | 0                 | 490,235           |
| <b>Excess of Revenues Over Expenditures</b>                         | <b>2,777,376</b>  | <b>744,869</b>    |



**Victoria Park Community Homes Inc.**

(a corporation without share capital)

*Year ended December 31, 2017***Schedule of Expenditures**

|                                      | 2017             | 2016             |
|--------------------------------------|------------------|------------------|
| <b>Property</b>                      |                  |                  |
| Resident managers                    | \$ 1,009,354     | \$ 959,610       |
| Quarters allowance                   | 268,776          | 280,422          |
| Salary administration fee            | 97,083           | 183,580          |
| Security                             | 132,226          | 102,366          |
| Cleaning and supplies                | 227,182          | 238,820          |
| Maintenance                          | 2,337,055        | 2,386,938        |
| Utilities                            | 2,794,277        | 3,018,921        |
|                                      | <u>6,865,953</u> | <u>7,170,657</u> |
| <b>Operating</b>                     |                  |                  |
| Bad debts                            | 203,101          | 133,151          |
| Insurance                            | 357,608          | 429,693          |
| Management fees                      | 1,423,868        | 1,387,152        |
| Office and general                   | 155,219          | 159,734          |
| Eviction and recovery administration | 205,276          | 110,302          |
| Professional fees                    | 178,246          | 95,693           |
| Municipal taxes                      | 4,031,453        | 4,651,836        |
| ONPHA fees                           | 24,245           | 28,470           |
|                                      | <u>6,579,016</u> | <u>6,996,031</u> |

**Victoria Park Community Homes Inc.**

(a corporation without share capital)

Year ended December 31, 2017

| <b>Statement of Cash Flows</b>                                | 2017               | 2016               |
|---|--------------------|--------------------|
| <b>Operating Activities</b>                                   |                    |                    |
| Excess of revenues over expenditures                          | \$ 2,777,376       | \$ 744,869         |
| Items not involving cash                                      |                    |                    |
| Amortization  | 4,164,763          | 5,142,255          |
| Amortization of deferred contributions                        | (46,200)           | (46,200)           |
| Reserve allocations   | 652,651            | 813,195            |
| Gain on sale of properties                                    | 0                  | (490,235)          |
| Changes in non-cash working capital balances                  | (766,915)          | (478,233)          |
| <b>Cash Provided By Operating Activities</b>                  | <b>6,781,675</b>   | <b>5,685,651</b>   |
| <b>Investing and Financing Activities</b>                     |                    |                    |
| Investments   | (10,030,403)       | 1,420,594          |
| Expenditure on capital assets                                 | (353,732)          | (1,759,154)        |
| Tenants' security deposits                                    | 28,165             | 44,537             |
| Bank loan advances (repayment)                                | (5,543)            | (5,318)            |
| Principal paid on VPAHC loan                                  | (99,502)           | (96,601)           |
| Principal paid on loan from Regional Municipality of Waterloo | 0                  | (450,000)          |
| Principal repaid on vehicle loan                              | 0                  | (1,051)            |
| Principal repaid on mortgages                                 | (3,771,974)        | (4,845,478)        |
| Proceeds from sale of properties                              | 0                  | 490,235            |
| Mortgage advances   | 10,641,990         | 0                  |
| <b>Cash Used In Investing and Financing Activities</b>        | <b>(3,590,999)</b> | <b>(5,202,236)</b> |
| <b>Reserve Fund Activities</b>                                |                    |                    |
| Investment income on reserve funds                            | 21,432             | 70,711             |
| Recovery of expenses  | 0                  | 84,362             |
| Reserve fund expenditures                                     | (2,240,852)        | (1,328,675)        |
| Solar revenue   | 34,169             | 58,468             |
| Capital funding   | 1,017,912          | 0                  |
| <b>Cash Used In Reserve Fund Activities</b>                   | <b>(1,167,339)</b> | <b>(1,115,134)</b> |
| Net cash increase (decrease) during the year                  | 2,023,337          | (631,719)          |
| Cash position beginning of year                               | 406,174            | 1,037,893          |
| <b>Cash Position End of Year</b>                              | <b>2,429,511</b>   | <b>406,174</b>     |

## Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2017

### Notes to Financial Statements

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#### Status and Nature of Activities

The Corporation, incorporated under the Ontario Corporations Act as a corporation without share capital, is a private non-profit organization with a dedicated team of Board volunteers and staff committed to strengthening individuals, families, neighbourhoods, and communities by providing stable quality affordable housing.

The Corporation claims an exemption from income tax under section 149(1)(l) of the Income Tax Act as a corporation operating exclusively for social welfare. No portion of the Corporation's income is available for the personal benefit of any member.

In accordance with the Housing Services Act (HSA) and Canada Mortgage and Housing Corporation (CMHC) through the National Housing Act, the Corporation receives funding from the Service Managers described in Note 1 and provides subsidized housing to its tenants and their families. The Corporation is dependent on this funding for its continued operation.

#### Note 1 Specified Users

These financial statements are for the information and use of the specified users identified below:

Members of the Corporation  
Royal Bank of Canada  
First National Financial LP  
Service Managers  
City of Hamilton  
City of Brantford  
Regional Municipality of Halton  
Regional Municipality of Waterloo

#### Note 2 Significant Accounting Policies

##### Basis of Accounting

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the financial reporting framework prescribed by the HSA, CMHC and Specified Users as described in Note 1. This framework requires the financial statements to be prepared in accordance with Canadian accounting standards for Not-for-Profit Organizations subject to the following significant exceptions:

- (a) amortization of capital assets under the authority of the Service Managers includes amortization of land and is equal to the principal repaid on related mortgage loans rather than on the useful lives of the related assets; specifically for properties funded by the Regional Municipality of Waterloo, in determining principal repaid an accrual must be made for the amount of principal to be repaid on the first day following the Corporation's year-end;

**Victoria Park Community Homes Inc.**

(a corporation without share capital)

*December 31, 2017*

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**Note 2      Significant Accounting Policies - continued**

- (b) capital expenditures may be charged to the replacement reserve rather than capitalized and amortized over their estimated useful lives;
- (c) a replacement reserve is appropriated from operations;
- (d) investment income earned on replacement reserve funds is credited directly to the reserve rather than to operations;
- (e) long-term debt secured by land and buildings is not segregated between current and long-term on the statement of financial position;
- (f) unless specifically instructed by the funder to defer a capital grant (Note 13), government grants received for capital expenditures are credited directly to the replacement reserve rather than recorded as deferred contributions related to capital assets and amortized over the estimated useful life of the related capital asset.

**Revenue Recognition**

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Rental charges are recognized when due at the beginning of each month.

Laundry revenue is recognized when collected. Collection takes place on a monthly basis.

Parking revenue is recognized at the beginning of the period during which the right to use the space is provided.

Investment income includes interest from cash and fixed income investments, reinvested distributions from mutual funds and realized gains and losses on the disposal of investments and unrealized gains and losses resulting from the changing value of investments. Revenue is recognized on an accrual basis. Interest from fixed income investments is recognized over the term of these investments using the effective interest method.

## Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2017

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### Note 2 Significant Accounting Policies - continued

#### Capital Assets

Capital assets are recorded at cost. Except for the original capital costs under the authority of Service Managers which are amortized as described in Note 2 (a), capital assets are amortized on a straight line basis over their estimated useful lives as follows:

|   |                    |
|---|--------------------|
| Building renovations - 101 Tuerr Drive and 39 Paulander Drive | 20 years           |
| Capital repairs   | 5, 10 and 20 years |
| Rental unit - 154 Bronte Street                               | 8 years            |
| Rental property - 1021 Queenston Road                         | 40 years           |
| Appliances, equipment and truck                               | 5 years            |
| Development costs   | under development  |

#### Use of Estimates

The preparation of financial statements requires management to make assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates as additional information becomes available in the future.

#### Financial Instruments

##### (a) Measurement of Financial Instruments

The Corporation initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Corporation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in income.

Financial assets measured at amortized cost include cash, non equity investments and accounts receivable.

Financial liabilities measured at amortized cost include the bank loan, accounts payable, amounts due to tenants and long-term debt.

**Victoria Park Community Homes Inc.**

(a corporation without share capital)

December 31, 2017

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**Note 2            Significant Accounting Policies - continued**

**(b) 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 operations. 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 operations.

**Federal Interest Reduction Grant**

Under Sections 95 and 27 of the National Housing Act, the Service Managers and CMHC provide the Corporation with grants to reduce the interest portion of mortgage payments.

**Note 3            Financial Instruments**

**Risk Management Policy**

The Corporation is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at December 31, 2017:

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a loss.

The Corporation is subject to concentrations of credit risk through its accounts receivable. Rent is due on the first day of the month. Tenants receivables represent rent that is at least one month past due. The credit risk associated with receivables from current tenants is offset somewhat by the Corporation holding deposits for each tenant.

**Liquidity Risk**

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its long-term debt. This risk is reduced because the Corporation has available cash and investments that can be liquidated on a short-term basis.

**Victoria Park Community Homes Inc.**

(a corporation without share capital)

December 31, 2017

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**Note 3 Financial Instruments - continued**

**Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and equity prices. These fluctuations may be significant. The methods and assumptions management uses when accessing market risks have not changed substantially from the prior period and are summarized below:

**(i) Interest Rate Risk**

The Corporation manages its investments based on its cash flow needs and with a view to optimizing its investment income. The Corporation has invested its excess cash in low risk interest bearing vehicles such as guaranteed investment certificates and money market funds as the means for managing its interest rate risk.

The mortgages bear fixed interest rates.

**(ii) Equity Price Risk**

The Corporation maintains a portion of investments in equity instruments and as a result is subject to price risk associated with fluctuations in the market price for these investments. The Corporation developed, based on risk tolerance, an asset allocation model for its investments, including equity investments. The Corporation manages risk by monitoring its asset allocation and comparing it to this model.

**Note 4 Receivables**

|  | 2017             | 2016           |
|--|------------------|----------------|
| Service Managers                                       |                  |                |
| City of Hamilton                                       | \$ 64,406        | \$ 116,022     |
| Regional Municipality of Halton                        | 44,760           | 24,505         |
|  | 109,166          | 140,527        |
| Harmonized sales tax                                   | 436,615          | 517,311        |
| Rents (net of allowance 2017 \$125,567, 2016 \$57,409) | 211,134          | 196,209        |
| Capital funding  | 555,835          | 0              |
| Other  | 76,424           | 82,072         |
|  | <u>1,389,174</u> | <u>936,119</u> |

**Victoria Park Community Homes Inc.**

(a corporation without share capital)

December 31, 2017

**Note 5**

**Investments**

|   | 2017              | 2016             |
|---|-------------------|------------------|
| Phillips, Hager & North - Social Housing Investment Fund  |                   |                  |
| Short term bond fund  | \$ 5,420,589      | \$ 610,212       |
| Bond fund   | 5,012,964         | 690,862          |
| Equity fund   | 1,068,270         | 189,102          |
| RBC Dominion Securities - various interest bearing investments with varying rates of interest from 2.05% to 2.95%, maturing from September 25, 2018 to April 12, 2022 | 339,212           | 258,172          |
| Savings accounts  | 10,675            | 9,381            |
| Brokers' cash account   | 4,750             | 77,001           |
| Cash in trust   | 75,324            | 66,651           |
|   | <u>11,931,784</u> | <u>1,901,381</u> |
| <b>Investment income is allocated as follows:</b>   |                   |                  |
| Reserves  | 21,432            | 70,711           |
| Operations  | 2,351             | 561              |
|   | <u>23,783</u>     | <u>71,272</u>    |

**Note 6**

**Capital Assets**

|  | 2017               |                     | 2016                |                     |
|--|--------------------|---------------------|---------------------|---------------------|
|  | Accumulated Cost   | Net Amortization    | Net Carrying Amount | Net Carrying Amount |
| Land, buildings and chattels, accounted for using Service Manager prescribed accounting policies | \$ 75,847,077      | \$(47,020,047)      | \$ 28,827,030       | \$ 32,547,458       |
| Land and buildings - unrestricted use  | 25,151,188         | (25,121,312)        | 29,876              | (7,101)             |
| Building renovations - 101 Tuerr Drive and 39 Paulander Drive                                    | 693,523            | (44,473)            | 649,050             | 671,550             |
| Capital repairs  | 7,133,801          | (1,070,538)         | 6,063,263           | 6,208,346           |
| Land   | 737,632            | 0                   | 737,632             | 737,632             |
| Rental unit  | 57,143             | (57,143)            | 0                   | 0                   |
| Rental property  | 5,416,278          | (787,265)           | 4,629,013           | 4,717,537           |
| Appliances   | 137,475            | (64,047)            | 73,428              | 35,846              |
| Equipment  | 67,052             | (46,913)            | 20,139              | 19,046              |
| Truck  | 41,417             | (29,121)            | 12,296              | 14,487              |
| Development costs  | 112,838            | 0                   | 112,838             | 20,795              |
|  | <u>115,395,424</u> | <u>(74,240,859)</u> | <u>41,154,565</u>   | <u>44,965,596</u>   |



**Victoria Park Community Homes Inc.**

(a corporation without share capital)

December 31, 2017

**Note 7 Accounts Payable and Accrued Liabilities**

|  | 2017             | 2016             |
|--|------------------|------------------|
| Accounts payable                       | \$ 589,962       | \$ 1,035,787     |
| Operating subsidy payable              | 10,831           | 352,237          |
| Rent supplement payable                | 120,150          | 0                |
| Other payables and accrued liabilities | 723,401          | 297,539          |
| Due to VPAHC, Note 17                  | 31,228           | 431,130          |
| Due to VPCHMP, Note 17                 | 298,005          | 172,307          |
| Due to KACHI, Note 17                  | 4,037            | 0                |
|  | <u>1,777,614</u> | <u>2,289,000</u> |

**Note 8 Bank Loan**

The Corporation has credit facilities with the Royal Bank of Canada in the amount of \$175,094 (2016 - \$200,000). The loan renewed on October 15, 2017. Monthly blended payments of principal and interest are \$1,085 (2016 - \$1,073) with interest at 4.29% (2016 - 4.15%) per annum. The loan matures October 15, 2022.

**Note 9 Mortgages Payable**

|  | 2017          | 2016          |
|--|---------------|---------------|
| There are 25 mortgages, secured by rental properties, insured by either CMHC or Ministry of Municipal Affairs and Housing (MMAH) with interest rates from 1.11% to 5.35%, maturing from 2018 to 2028. The aggregate monthly payment, including interest, is \$446,459. | \$ 44,860,550 | \$ 37,990,534 |

Principal payments due in the next five years, assuming that mortgages maturing during those five years are renewed with the same or similar terms, are approximately as follows:

|      |              |
|------|--------------|
| 2018 | \$ 2,914,774 |
| 2019 | 2,327,161    |
| 2020 | 1,880,768    |
| 2021 | 1,526,250    |
| 2022 | 0            |

During the year, there were 2 new mortgages, 2 mortgages renewed with interest rates of 1.87% and 2.84% for five and ten year terms and 2 mortgages were discharged. A new mortgage was obtained on one of the properties whose mortgage was discharged.

**Victoria Park Community Homes Inc.**

(a corporation without share capital)

December 31, 2017

**Note 10      Loans Payable to Victoria Park Affordable Housing Corp. (VPAHC)**

|  | 2017         | 2016         |
|--|--------------|--------------|
| \$2,500,000 loan payable with monthly principal and interest payments of \$11,793, interest at 2.97% per annum, term of 25 years, ending November 1, 2040. | \$ 2,354,678 | \$ 2,425,546 |
| \$1,000,000 loan payable with monthly principal and interest payments of \$4,738, interest at 3.01% per annum, term of 25 years, ending May 1, 2040.       | 927,744      | 956,378      |
|  | 3,282,422    | 3,381,924    |
| Less: current portion  | 102,491      | 99,502       |
|  | 3,179,931    | 3,282,422    |

**Note 11      Due to the Regional Municipality of Waterloo**

|  | 2017       | 2016       |
|--|------------|------------|
| Due to the Regional Municipality of Waterloo - Paulander Drive | \$ 236,345 | \$ 236,345 |

In 1998, MMAH advanced \$236,345 for significant building repairs for the property located at 39 Paulander Drive in the City of Kitchener. The loan is non-interest bearing and the full amount is due December 30, 2022 unless the Corporation is in default of the Social Housing Reform Act of Ontario, then the amount is due within one hundred twenty (120) days of such default.

The responsibility for the funding and administration of the property was transferred from the MMAH to the Regional Municipality of Waterloo.

**Note 12      Capital Funding**The Regional Municipality of Waterloo

The Corporation entered into 6 (six) agreements with the Regional Municipality of Waterloo, whereby the Corporation has been approved for one-time grants of up to \$442,334 under the Social Housing Energy Efficiency Program (SHEEP) and Social Housing Innovation Program (SHIP).

**Victoria Park Community Homes Inc.**

(a corporation without share capital)

December 31, 2017

**Note 12 Capital Funding - continued**

The Regional Municipality of Halton

The Corporation entered into two (2) SHIP agreements with the Regional Municipality of Halton for one-time grants for a total approved amount of \$83,900. Funds from the program were only spent on projects approved by the Regional Municipality of Halton.

City of Brantford

The Corporation was approved for four (4) SHIP grants from the City of Brantford for a total approved amount of \$457,397. Funds from the program were only spent on projects approved by the City of Brantford. As at year end all work was completed.

City of Hamilton

The Corporation entered into several SHIP agreements with the City of Hamilton for one-time grants for a total approved amount of \$1,243,426. Funds from the program can only spent on projects approved by the City of Hamilton. Funding will be provided in stages as the Corporation meets the criteria of the program.

**Note 13 Deferred Contributions Related to Capital Assets**

Deferred contributions related to capital assets include the unamortized portions of the restricted contributions relating to the development of a 42 unit rental property in the City of Cambridge. The contributions are repayable to the funder should the Corporation be in default under the terms of the agreement. Refer to Notes 14(a) and (b) for details.

Deferred contributions related to capital assets are amortized and recognized as revenue over 40 years on the same basis as the expenses related to the acquired capital assets are amortized.

The deferred contributions balance at December 31 is as follows:

|   | 2017             | 2016             |
|---|------------------|------------------|
| MMAH - Affordable Housing Program (Pilot Program)   | \$ 1,218,000     | \$ 1,218,000     |
| Regional Municipality of Waterloo - forgivable loan | 630,000          | 630,000          |
|   | <u>1,848,000</u> | <u>1,848,000</u> |
| Accumulated amortization                            | (446,600)        | (400,400)        |
|   | <u>1,401,400</u> | <u>1,447,600</u> |

## Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2017

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### Note 14

#### Contingent Liabilities

##### (a) Affordable Housing Program (Pilot Program)

In 2006, the Corporation and MMAH entered into a loan agreement to assist in funding the development of a 42 unit rental property in the City of Cambridge. The terms of the loan agreement is for twenty (20) years commencing as of the interest adjustment date, April 1, 2008. This loan is included in Deferred Contributions Related to Capital Assets and is being taken into income on the same basis as the related development costs are being amortized.

The loan amount of \$1,218,000 plus accrued interest will be fully forgiven on the last day of the month at the end of the loan term, provided the Corporation has fulfilled all the requirements as set out in the loan agreement.

##### (b) Regional Municipality of Waterloo - Forgivable Loan Agreement

In 2006, the Corporation and the Regional Municipality of Waterloo entered into a loan agreement to assist in funding the development of a 42 unit rental property in the City of Cambridge. The term of the loan agreement is for twenty (20) years from the project completion date, April 1, 2008. This loan is included in Deferred Contributions Related to Capital Assets and is being taken into income on the same basis as the related development costs are being amortized.

The loan amount of \$630,000 plus accrued interest will be fully forgiven on the last day of the month at the end of the loan term, provided the Corporation has fulfilled all the requirements as set out in the loan agreement.

The contributions described in (a) and (b) above are jointly secured by a second mortgage on the Cambridge property in the amount of \$1,848,000, a collateral charge in the amount of \$630,000 on the 101 Tuerr Drive, Kitchener property, assignment of rents on the Cambridge property and all appliances and all other personal property owned by the Corporation and located on or used in connection with the operations of the Cambridge property.

##### (c) The Regional Municipality of Waterloo - SHRRP Agreements

The Corporation has signed eight (8) agreements with the Regional Municipality of Waterloo to receive SHRRP grants dated November 20, 2009 to March 11, 2012. These grants have been recorded in the statement of replacement reserve. The Corporation agrees to continue to operate as an affordable housing project for twenty (20) years from the date of the agreement. Failure to comply with the rules set out in the agreements may result in the entire funding amount (including interest) becoming due and payable to the Regional Municipality of Waterloo, unless remedied within a reasonable period of time.

**Victoria Park Community Homes Inc.**

(a corporation without share capital)

*December 31, 2017*

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**Note 14**

**Contingent Liabilities - continued**

**(d) The Regional Municipality of Halton - SHRRP Agreements**

The Corporation has signed two (2) agreements with the Regional Municipality of Halton to receive SHRRP grants dated January 4, 2010. These grants have been recorded in the statement of replacement reserve. The Corporation agrees to continue to operate as an affordable housing project for twenty (20) years from the date on which the Corporation first receives funding under this agreement. Failure to comply with the rules set out in the agreements may result in the entire funding amount becoming due and payable to the Regional Municipality of Halton, unless remedied within a reasonable period of time.

**(e) The City of Hamilton - SHRRP Agreements**

The Corporation has signed several agreements with the City of Hamilton to receive SHRRP grants. These grants have been recorded in the statement of replacement reserve. Failure to comply with the rules set out in the agreements and provisions of the SHRRP program guidelines may result in the entire funding amount becoming due and payable to the City of Hamilton.

**(f) Guarantees**

At December 31, 2017, the Corporation had one letter of guarantee outstanding in the amount of \$10,000.

The Corporation has guaranteed long-term debt of VPAHC which at December 31, 2017 was \$3,282,422. These loans are also secured by first mortgage charges on land and building owned by VPAHC.

**(g) Statement of Claim**

There is one claim against the Corporation for an amount of \$1,000,000. The insurance company is handling the claim. Management believes the claim is without merit. The outcome of the claim is unknown. No amounts related to this claim is recorded in these financial statements.

**Victoria Park Community Homes Inc.**

(a corporation without share capital)

December 31, 2017

**Note 15 Restrictions on Net Assets and Interfund Transfers****(a) Replacement Reserve Fund**

Replacement reserves are externally restricted by the Service Managers. These funds can only be used for capital expenditures as set out in the Program Guidelines and are subject to Service Manager approval.

**(b) Subsidy Surplus Fund**

The subsidy surplus reserve is externally restricted by the Service Managers and has a maximum limit of \$20,000 plus accumulated interest. These funds are allocated to provide rental subsidies to qualifying tenants where special need is identified within the specific requirements of Section 95 of the National Housing Act and to fund Section 95 rental properties' operating deficits.

**(c) Insurance Reserve Fund**

Insurance is charged to operations at a standard per unit rate as determined by the Board annually. The reserve represents the excess of the amount charged to operations less the premiums and the deductible paid by the Corporation. The fund has an approved ceiling of \$150,000 as prescribed by the Board of Directors.

**(d) Future Project Development Fund**

Net assets internally restricted by the Board of Directors represent specific initiatives and other provisions. Internally restricted net assets are not available for other purposes without approval of the Board of Directors.

**Note 16 Replacement Reserve Fund**

|                            | Federal   |           |              |              |              |
|----------------------------|-----------|-----------|--------------|--------------|--------------|
|                            | AHP       | Portfolio | HSA          | 2017         | 2016         |
| Balance, beginning of year | \$ 55,132 | \$ 14,196 | \$ 1,375,101 | \$ 1,444,429 | \$ 1,603,907 |
| Reserve funding            | 8,664     | 43,263    | 600,724      | 652,651      | 813,195      |
| Investment income          | 0         | 9,786     | 11,646       | 21,432       | 67,650       |
| Interfund transfer         | 0         | 570,529   | (483,019)    | 87,510       | 145,522      |
| Recovery of expenses       | 0         | 0         | 0            | 0            | 84,362       |
| Solar revenue              | 0         | 4,906     | 29,263       | 34,169       | 58,468       |
| Capital funding            | 0         | 0         | 1,573,747    | 1,573,747    | 0            |
|                            | 63,796    | 642,680   | 3,107,462    | 3,813,938    | 2,773,104    |
| Capital expenditures       | 0         | 33,768    | 2,207,084    | 2,240,852    | 1,328,675    |
|                            | 63,796    | 608,912   | 900,378      | 1,573,086    | 1,444,429    |

## Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2017

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### Note 17 Related Corporations

#### Victoria Park Community Homes Management Project

Victoria Park Community Homes Management Project (VPCHMP) is a non-profit organization offering property development, management and consulting services to the non-profit sector in the Province of Ontario and claims an exemption from income tax under the Income Tax Act.

All members of the VPCHMP Board of Directors are also directors of VPCHI.

Because of the differences between the two (2) corporations, the board has chosen not to consolidate VPCHMP into the VPCHI financial statements.

The Corporation entered into a contract with VPCHMP to manage and develop projects and provide maintenance and laundry services. The annual property management fee, to be paid monthly, is calculated as a percentage of the gross market rent potential (6.80% in 2017). The contract is in effect from January 1, 2017 to December 31, 2019. The Corporation has also entered into a contract with VPCHMP, whereby VPCHMP rents office space from the Corporation. Payable to (receivable from) VPCHMP at year end is \$298,005 (2016 - \$172,307). Transactions with VPCHMP are recorded at exchange value and are as follows:

|                                     | 2017         | 2016         |
|-------------------------------------|--------------|--------------|
| Expenses:                           |              |              |
| Management fees                     | \$ 1,423,868 | \$ 1,387,152 |
| Maintenance fees                    | 369,826      | 377,859      |
| Laundry fees                        | 12,971       | 12,268       |
| Development fees                    | 18,750       | 16,575       |
| Rent supplement administration fees | 3,645        | 3,449        |
| Revenue                             |              |              |
| Rental revenue                      | 28,835       | 28,835       |

#### Victoria Park Affordable Housing Corp. (VPAHC)

VPAHC and the Corporation share Directors and management staff. VPAHC is a provider of non-profit and subsidized housing. The Corporation has loans payable to VPAHC which are described in Note 10. The other amounts due to or from VPAHC carry no fixed terms of repayment. Related party transactions include interest expense paid to VPAHC of \$98,861 (2016 - \$101,763).

**Victoria Park Community Homes Inc.**

(a corporation without share capital)

December 31, 2017

**Note 17 Related Corporations - continued**

**Kitchener Alliance Community Homes Inc. (KACHI)**

The Board of Directors of KACHI is made up entirely of directors also sitting on the Corporation's Board. Because of conditions imposed by the Region of Waterloo, the board had chosen not to consolidate KACHI into the VPCHI financial statements. There are no related parties transactions during the year. Amounts due to the Corporation carry no fixed terms of repayment.

VPCHMP, VPAHC and KACHI financial statements at December 31, 2017 are summarized as follows:

|  | VPCHMP         | VPAHC        | KACHI        | 2017          | 2016          |
|--|----------------|--------------|--------------|---------------|---------------|
|  | 7 month period |              |              |               |               |
| <b>Statement of Financial Position</b> |                |              |              |               |               |
| Total assets                           | \$ 808,530     | \$ 6,731,563 | \$ 7,988,174 | \$ 15,528,267 | \$ 16,354,952 |
| Total liabilities                      | 171,257        | 3,994,386    | 6,854,567    | 11,020,210    | 12,386,857    |
| Net assets                             | 637,273        | 2,737,177    | 1,133,607    | 4,508,057     | 3,968,095     |
|  | 808,530        | 6,731,563    | 7,988,174    | 15,528,267    | 16,354,952    |
| <b>Statement of Operations</b>         |                |              |              |               |               |
| Revenues                               | 2,861,486      | 1,992,129    | 1,427,413    | 6,281,028     | 8,701,042     |
| Expenses                               | 2,824,707      | 1,651,490    | 1,404,456    | 5,880,653     | 7,874,471     |
|  | 36,779         | 340,639      | 22,957       | 400,375       | 826,571       |
| <b>Cash Flows</b>                      |                |              |              |               |               |
| Operating activities                   | 44,924         | 953,680      | 780,581      | 1,779,185     | 364,162       |
| Financing and investing activities     | (65,536)       | (713,917)    | (554,807)    | (1,334,260)   | (62,508)      |
| Change in cash                         | (20,612)       | 239,763      | 225,774      | 444,925       | 301,654       |

**Note 18 Classification**

The prior year figures have been reclassified, where necessary, to conform to the current year's presentation. Excess of revenues over expenditures for the previous year is not affected by this reclassification.



**Victoria Park Community Homes Inc.**

(a corporation without share capital)

December 31, 2017

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**Note 19 Pension Plan**

Employees of the Corporation are eligible to be members of a defined contribution pension plan. The Corporation's contribution to the plan for the year is \$37,221 (2016, \$27,497).

**Note 20 Subsequent Events**

Amalgamation

On January 1, 2018, the Corporation amalgamated with Kitchener Alliance Community Homes Inc. (KACHI). The amalgamated Corporation will continue as Victoria Park Community Homes Inc. The Board of Directors of KACHI was made up entirely of directors also sitting on the Victoria Park Community Homes Inc. Board.

Commitments

Subsequent to year end, the Corporation entered into a number of commitments with contractors for a number of projects for a total \$796,793. No amounts have been recorded in these financial statements related to these projects.

**Note 21 Commitments**

The Corporation has entered into several commitments with various suppliers and contractors for replacement reserve work for a total estimated amount of \$1,918,379. Only \$449,233 related to these projects has been recorded in these financial statements.

**Note 22 Reserve Funds Status**

The Corporation has extended its funding allotment to the reserve fund from the increase in revenues generated through the sale of properties within the portfolio. The expenditures are based on the projected five (5) year capital plan. Although there is no shortfall predicted, the success for funding all the above planned expenditures is based on the refinancing and selling of properties within the portfolio. If refinancing is not aligned with the forecast, deferral of capital projects will be necessary.

**Note 23 Property Tax Rebates**

During the year, the Corporation received property tax rebates for the 2014 to 2016 taxation years net of consultants fees in the amount of \$280,838. These amounts are reflected in the current year statement of operations.

Victoria Park Community Homes Inc.

10. 1. 25

Year End: December 31, 2017

Client's adjusting entries

Date: 01/01/2017 To 31/12/2017

| Number  | Date       | Name                     | Account No | Reference | Debit            | Credit           | Net Income (Loss)   | Amount Chg        | Recurrence |
|---|------------|--------------------------|------------|-----------|------------------|------------------|---------------------|-------------------|------------|
| Net Income (Loss) Before Adjustments                                  |            |                          |            |           |                  |                  | 2,786,325.00        |                   |            |
| AJE01   | 31/12/2017 | SURPLUS / DEFICIT        | 2900-100   | FS        | 1,882.00         |                  |                     |                   |            |
| AJE01   | 31/12/2017 | OTHER INCOME             | 3600-300   | FS        |                  | 1,882.00         |                     |                   |            |
| To adjust for small difference in opening net assets                  |            |                          |            |           | 1,882.00         | 1,882.00         | 2,788,207.00        | 1,882.00          |            |
| AJE02   | 31/12/2017 | SUBSIDY PAYABLE M.M.A.H. | 2115-110   | D         |                  | 10,830.70        |                     |                   |            |
| AJE02   | 31/12/2017 | SM OPERATING SUBSIDY     | 3400-100   | D         | 10,831.86        |                  |                     |                   |            |
| AJE02   | 31/12/2017 | PRIOR YEAR SUBSIDY ADJ   | 9200-100   | D         |                  | 1.16             |                     |                   |            |
| To adjust subsidy accounts for City of Hamilton as provided by client |            |                          |            |           | 10,831.86        | 10,831.86        | 2,777,376.30        | (10,830.70)       |            |
|   |            |                          |            |           | <b>12,713.86</b> | <b>12,713.86</b> | <b>2,777,376.30</b> | <b>(8,948.70)</b> |            |

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Victoria Park Community Homes Inc.

10. 1. 26

Year End: December 31, 2017

Client's reclassifying journal entries

Date: 01/01/2017 To 31/12/2017

| Number                               | Date       | Name   | Account No       | Reference | Debit                | Credit               | Net Income (Loss)   | Amount Chg  | Recurrence | Misstatement |
|--------------------------------------|------------|--|------------------|-----------|----------------------|----------------------|---------------------|-------------|------------|--------------|
| Net Income (Loss) Before Adjustments |            |  |                  |           |                      |                      | 2,777,376.30        |             |            |              |
| RJE01                                | 31/12/2017 | Land & Buildings - Unrestricted use  | 151.400.PYC      | U6        | 25,757,999.17        |                      |                     |             |            |              |
| RJE01                                | 31/12/2017 | Reclass Acc AM Unrestricted Use  | 151.600.PYC      | U6        |                      | 25,121,311.78        |                     |             |            |              |
| RJE01                                | 31/12/2017 | Reclass rental property #46 (debit)  | 152.100.PYC      | U6        | 5,416,277.83         |                      |                     |             |            |              |
| RJE01                                | 31/12/2017 | Acc AM Rental Property   | 152.400.PYC      | U6        |                      | 787,265.40           |                     |             |            |              |
| RJE01                                | 31/12/2017 | Reclass Unrestricted Use   | 151.100.01.PYC   | U6        |                      | 31,174,277.00        |                     |             |            |              |
| RJE01                                | 31/12/2017 | Reclass Acc Am Unrestricted Use  | 151.300.01.PYC   | U6        | 25,908,577.18        |                      |                     |             |            |              |
|                                      |            | To reclass unrestricted property (property that are out of the operating agreement) for FS presentation              |                  |           | 57,082,854.18        | 57,082,854.18        | 2,777,376.30        | 0.00        | Recurring  |              |
| RJE02                                | 31/12/2017 | Reclass Current Portion Loan Payabl  | 226.003.PYC      | KK8       |                      | 102,491.16           |                     |             |            |              |
| RJE02                                | 31/12/2017 | Reclass Current Portion Loan Payabl  | 232.100.PYC      | KK8       | 102,491.16           |                      |                     |             |            |              |
|                                      |            | To reclass current portion of loan payable to VPAHC  |                  |           | 102,491.16           | 102,491.16           | 2,777,376.30        | 0.00        | Recurring  |              |
| RJE03                                | 31/12/2017 | Reallocate Tuerr & Paulander   | 158.PYC          | U9        |                      | 693,523.00           |                     |             |            |              |
| RJE03                                | 31/12/2017 | To reclass Tuerr & Paulander   | 158.100.PYC      | U9        | 22,500.00            |                      |                     |             |            |              |
| RJE03                                | 31/12/2017 | Reclass Paulander Costs  | 159.PAUL.PYC     | U9        | 236,345.00           |                      |                     |             |            |              |
| RJE03                                | 31/12/2017 | Reclass Tuerr Costs  | 159.TUERR.PYC    | U9        | 457,178.00           |                      |                     |             |            |              |
| RJE03                                | 31/12/2017 | Reclass Tuerr Acc AM   | 159.100.TUERR.PY | U9        |                      | 22,500.00            |                     |             |            |              |
|                                      |            | To reclass costs and accumulated amortization for Tuerr and Paulander recorded under Capital Repairs for FS purposes |                  |           | 716,023.00           | 716,023.00           | 2,777,376.30        | 0.00        | Recurring  |              |
| RJE04                                | 31/12/2017 | Reclass PHN Equity   | 113.600.EQ.PYC   | A3        | 1,068,270.00         |                      |                     |             |            |              |
| RJE04                                | 31/12/2017 | Reclass PHN LT Bond  | 113.600.LTB.PYC  | A3        | 5,012,964.00         |                      |                     |             |            |              |
| RJE04                                | 31/12/2017 | Reclass PHN ST Bond  | 113.600.STB.PYC  | A3        | 5,420,589.00         |                      |                     |             |            |              |
| RJE04                                | 31/12/2017 | PHN Total  | 113.600.TOT.PYC  | A3        |                      | 11,501,823.00        |                     |             |            |              |
|                                      |            | To reclass PHN investments for FS purposes   |                  |           | 11,501,823.00        | 11,501,823.00        | 2,777,376.30        | 0.00        | Recurring  |              |
| RJE05                                | 31/12/2017 | Reclass rent supplement  | 118.400.PYC      | D6        | 120,149.66           |                      |                     |             |            |              |
| RJE05                                | 31/12/2017 | Reclass rent supplement  | 118.500.PYC      | D6        |                      | 120,149.66           |                     |             |            |              |
|                                      |            | To reclass rent supplement payable to Hamilton for FS purposes   |                  |           | 120,149.66           | 120,149.66           | 2,777,376.30        | 0.00        |            |              |
| RJE06                                | 31/12/2017 | Reclass Capital Funding Rec  | 115.500.PYC      | C1        | 555,835.00           |                      |                     |             |            |              |
| RJE06                                | 31/12/2017 | Reclass Capital Funding Rec  | 115.800.100.PYC  | C1        |                      | 555,835.00           |                     |             |            |              |
|                                      |            | To reclass capital funding receivables for FS purposes   |                  |           | 555,835.00           | 555,835.00           | 2,777,376.30        | 0.00        |            |              |
|                                      |            |  |                  |           | <b>70,079,176.00</b> | <b>70,079,176.00</b> | <b>2,777,376.30</b> | <b>0.00</b> |            |              |