

Financial Statements

Victoria Park Community Homes Management Project

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 _____

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Independent Auditors' Report

To the Members of Victoria Park Community Homes Management Project:

We have audited the accompanying financial statements of Victoria Park Community Homes Management Project, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Organization'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 Organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 Management Project as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative Information - Corresponding Figures

The financial statements of Victoria Park Community Homes Management Project for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on May 11, 2017.

Toronto, Ontario

[Date of the auditors' report]

Chartered Professional Accountants, Licensed Public Accountants

Victoria Park Community Homes Management Project

December 31, 2017

Statement of Financial Position	2017	2016
		<u>Note 5</u>
Current Assets		
Cash	\$ 40,957	\$ 61,569
Investments, Note 3	174,858	115,226
Accounts receivable	473,155	409,789
Prepaid expenses	<u>95,682</u>	<u>98,721</u>
Total Current	784,652	685,305
Capital Assets, Note 4	23,878	56,737
	<u>808,530</u>	<u>742,042</u>

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Approved by The Board

Director

Director

Victoria Park Community Homes Management Project

December 31, 2017

Statement of Financial Position	2017	2016
		Note 5
Current Liabilities		
Accounts payable and accrued liabilities	\$ 89,002	\$ 60,465
Government remittances	82,255	81,083
Total Current	171,257	141,548
Net Assets, per statement		
Net invested in capital assets	23,878	56,737
Sustainment reserve fund	361,005	361,005
Unrestricted net assets	252,390	182,752
	637,273	600,494
	808,530	742,042

The notes on pages 10 through 14 form an integral part of these financial statements.

Victoria Park Community Homes Management Project

Year ended December 31, 2017

Statement of Changes in Net Assets

	Invested in Capital Assets	Sustainment Reserve Fund	Unrestricted	2017	2016
					Note 5
Balance beginning	\$ 56,737	\$ 361,005	\$ 182,752	\$ 600,494	\$ 641,823
Add (deduct)					
Surplus (deficit)	(38,763)	0	75,542	36,779	(41,329)
Investment in capital assets	5,904	0	(5,904)	0	0
<i>Balance December 31</i>	23,878	361,005	252,390	637,273	600,494

Victoria Park Community Homes Management Project

Year ended December 31, 2017

Statement of Operations	2017	2016
		Note 5
Revenues		
Management fees	\$ 2,053,497	\$ 1,982,137
Maintenance fees	771,195	784,608
Laundry commission	12,264	12,268
Development fees	18,750	16,575
Investment income	2,135	2,220
Miscellaneous income	3,645	3,449
Total Revenues	2,861,486	2,801,257
Expenses		
Wages and benefits	2,427,450	2,463,697
Office and general	78,408	92,796
Consulting	68,854	26,769
Equipment lease	44,318	47,032
Amortization	38,763	45,502
Repairs and maintenance	32,270	35,010
Insurance	29,730	28,722
Rent	28,835	28,835
Travel	24,658	21,034
Telephone	23,254	29,906
Bank charges and interest	10,700	10,643
Professional fees	9,863	9,302
Advertising and promotion	3,977	379
Board expenses	3,014	2,959
Bad debts	613	0
Total Expenses	2,824,707	2,842,586
Surplus (Deficit)	36,779	(41,329)

Victoria Park Community Homes Management Project

Year ended December 31, 2017

Statement of Cash Flows	2017	2016
		Note 5
Operating Activities		
Surplus (deficit)	\$ 36,779	\$ (41,329)
Non-cash items		
Amortization	38,763	45,502
	75,542	4,173
Changes in non-cash working capital		
Accounts receivable	(63,366)	(76,176)
Prepaid expenses	3,039	9,569
Accounts payable and accrued liabilities	28,537	10,187
Government remittances	1,172	10,327
	44,924	(41,920)
Cash Provided By (Used In) Operating Activities	44,924	(41,920)
Investing Activities		
Capital assets	(5,904)	(6,845)
Investments	(59,632)	(5,520)
	(65,536)	(12,365)
Cash Used In Investing Activities	(65,536)	(12,365)
Net cash decrease during the year	(20,612)	(54,285)
Cash position beginning of year	61,569	115,854
Cash Position End of Year	40,957	61,569

Victoria Park Community Homes Management Project

December 31, 2017

Notes to Financial Statements

Status and Nature of Activities

Victoria Park Community Homes Management Project (the Organization), offers property development, management and consulting services to the non-profit housing sector in the Province of Ontario. The Organization operates as a not-for-profit organization exempt from income tax under section 149(1)(l) of the Income Tax Act.

Note 1

Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

The Organization recognizes management fees income each month as fees become due. Maintenance fees are recognized at the end of each month based on actual recoveries.

Laundry income, development fees, investment income and miscellaneous income are recognized as earned.

Sustainment Reserve Fund

The Organization has internally restricted funds to provide financial stability to ongoing operations.

Financial Instruments

(a) Measurement of Financial Instruments

The Organization initially measures its financial assets and financial liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Organization's financial assets measured at fair value include investments.

Victoria Park Community Homes Management Project

December 31, 2017

Note 1 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 surplus. 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 income from operations.

(c) Transaction Costs

The Organization recognizes its transaction costs in income in the period incurred. However, the carrying amount of financial instruments that will not be subsequently measured at fair value reflect transaction costs that are directly attributable to their origination, issuance or assumption.

Disclosure and 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. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in which they become known.

Estimates are used when accounting for certain items such as allowance for doubtful accounts, asset impairments and evaluation of minimum lease terms for operating leases.

Capital Assets and Amortization

Capital assets are recorded at cost. Amortization is provided in the accounts annually on a straight-line basis as follows:

Office furniture and equipment	20%
Computer equipment	20%
Leasehold improvements	20%
Appliances	20%

Capital assets acquired during the year are amortized at one half the above annual rates.

Victoria Park Community Homes Management Project

December 31, 2017

Note 2 Financial Instruments

Risk Management Policy

The Organization 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 Organization is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. Accounts receivable arise primarily from management fees receivable. The maximum credit risk is equivalent to the carrying value of account receivable on the statement of financial position. Accounts receivable are non-interest bearing and are generally collected within 30 to 60 days.

Market Risk

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

Interest Rate Risk

The Organization's interest-bearing assets and liabilities include investments and an operating line of credit.

The Organization has fixed interest rates on investments. Consequently, the exposure to fluctuations in future cash flows, with respect to these investments, as a result of changes in market interest rates, is limited. The effective interest rate on investments during the year varied from 1.7% to 2.9% (2016, 1.7% to 2.9%). The average interest rate at the end of the year was 1.86% (2016, 2.18%) with investments maturing from November 7, 2018 to September 8, 2023.

The Organization's operating line of credit has a variable interest rate. Changes in the bank's prime lending rate can cause fluctuations in interest payments and future cash flows associated with the principal portion of the line of credit.

Victoria Park Community Homes Management Project

December 31, 2017

Note 2 Financial Instruments - continued

Liquidity Risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and government remittances. Cash flows from operations provide a substantial portion of the Organization's cash requirements.

Additional cash requirements are met with the use of the available operating line of credit. The available operating line of credit provides flexibility in the short term to meet operational needs and bridge long-term financing.

Note 3 Investments

	2017	2016
Guaranteed investment certificates	\$ 120,245	\$ 60,041
Bonds	54,613	55,185
	<u>174,858</u>	<u>115,226</u>

Note 4 Capital Assets

	Cost	Accumulated Amortization	Net 2017	Net 2016
Office furniture and equipment	\$ 113,006	\$ 110,411	\$ 2,595	\$ 5,199
Computer equipment	158,463	137,753	20,710	31,336
Leasehold improvements	213,769	213,509	260	20,202
Appliances	348	35	313	0
	<u>485,586</u>	<u>461,708</u>	<u>23,878</u>	<u>56,737</u>

Note 5 Comparative Information - Corresponding Figures

The prior year figures were audited by another auditor who expressed an unmodified opinion on those statements.

Note 6 Bank Indebtedness

The Organization has a \$45,000 operating line of credit secured by a general security agreement over property of the Organization. Interest is charged at prime lending rate plus 2.0%.

Victoria Park Community Homes Management Project

December 31, 2017

Note 7 Commitments

The Organization is obligated under leasing contracts for premises, office equipment, software licenses and service agreements. These leases expire between 2018 and 2022 and the future minimum annual payments, net of HST, under these contracts are as follows:

2018	\$	199,512
2019		94,141
2020		84,185
2021		20,608
2022		18,408

Note 8 Related Party Transactions

Approximately 78% (2016, 79%) of the Organization's revenue was derived from non-profit organizations with a common Board of Directors. The Organization provides management, project development, maintenance and laundry services under contracts. These contracts end between December 31, 2017 and December 31, 2019.

Accounts receivable at year end include \$358,802 (2016, \$371,291) of amounts owing from these non-profit organizations.

The Organization leases office space from a non-profit organization, with common Board of Directors. During the year lease payments amounted to \$28,835 (2016, \$28,835).

These transactions are in the normal course of business and are measured at the exchange amount which is the amount established and agreed to by related parties.

Note 9 Pension Plan

The Organization operates a defined contribution pension plan. The assets of the plan are held separately from those of the Organization in an independently administered fund. The pension expense is equal to the contributions paid by the Organization.

The contributions paid and expensed by the Organization for the year amounted to \$81,347 (2016 - \$86,646)

Victoria Park Community Homes Management Project

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Year End: December 31, 2017

Client's adjusting entries

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

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
						0.00	0.00		
			Net Income (Loss)			36,778.02			

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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							36,778.02			
RJE01	31/12/2017	Reclass RP Receivables	115.PYC	C2		358,802.00				
RJE01	31/12/2017	RP Receivables	115.100.PYC	C2	358,802.00					
		To reclass related party receivables			358,802.00	358,802.00	36,778.02	0.00		
					358,802.00	358,802.00	36,778.02	0.00		

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