

Financial Statements

Victoria Park Community Homes Inc.

Hamilton, Ontario

December 31, 2017

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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Revised Draft - April 27, 2018

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

Statement of Financial Position	2017	2016
Current Assets		
Cash	\$ 2,429,511	\$ 406,174
Receivables, Note 4	1,431,557	936,119
Prepaid expenses	689,838	315,374
Total Current	4,550,906	1,657,667
Investments , Note 5	11,931,784	1,901,381
Capital Assets , Note 6	41,154,565	44,965,596
	57,637,255	48,524,644

Approved by The Board

Director

Director

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2017

Statement of Financial Position	2017	2016
		Note 18
Current Liabilities		
Accounts payable and accrued liabilities, Note 7	\$ 2,316,546	\$ 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
Total Current	3,097,939	3,051,249
Tenants' Security Deposits	926,909	898,744
Mortgages Payable , Note 9	44,860,550	37,990,534
Due to Regional Municipality of Waterloo , Note 11	236,345	236,345
Deferred Contributions Related to Capital Assets , 13	1,401,400	1,447,600
Loan Payable To VPAHC , Note 10	3,179,931	3,282,422
Bank loan , Note 8	173,682	179,225
Contingent Liabilities , Note 14		
Total Liabilities	53,876,756	47,086,119
Net Assets , per statement		
<i>Externally restricted</i>		
Replacement reserve fund, Notes 15 and 16	1,911,958	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)	1,214,680	1,093,695
Contributed surplus	352,611	353,611
Unrestricted	131,250	(1,603,210)
	3,760,499	1,438,525
	57,637,255	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				Unrestricted	2017 Total	2016 Total
	Replacement Reserve Fund	Subsidy Surplus Fund	Insurance Reserve Fund	Future Project Development Fund	Contributed Surplus				
	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	2,280,827	2,280,827	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)	426,382	0	0	120,985	(1,000)	(546,367)	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)	
Balance December 31	1,911,958	0	150,000	1,214,680	352,611	131,250	3,760,499	1,438,525	

Victoria Park Community Homes Inc.

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Year ended December 31, 2017

Statement of Operations	2017	2016
Revenues		
Rents	\$ 15,195,977	\$ 15,449,001
Operating subsidy and provincial rent supplement	6,872,568	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
Total Revenues	21,940,167	22,242,195
Expenses		
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
Total Expenses	19,619,404	21,115,860
Excess of Revenues Over Expenditures Before Direct Subsidies	2,320,763	1,126,335
Direct subsidies	(49,371)	(833,722)
Excess of Revenues Over Expenditures Before Other	2,271,392	292,613
Other		
Prior year subsidy adjustments	9,435	(37,979)
Gain on sale of properties	0	490,235
Excess of Revenues Over Expenditures	2,280,827	744,869

Victoria Park Community Homes Inc.

(a corporation without share capital)

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

	2017	2016
Property		
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>
Operating		
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, Note 23	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.

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Year ended December 31, 2017

Statement of Cash Flows

	2017	2016
Operating Activities		
Excess of revenues over expenditures	\$ 2,280,827	\$ 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	(270,366)	(478,233)
Cash Provided By Operating Activities	6,781,675	5,685,651
Investing and Financing Activities		
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
Cash Used In Investing and Financing Activities	(3,590,999)	(5,202,236)
Reserve Fund Activities		
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
Cash Used In Reserve Fund Activities	(1,167,339)	(1,115,134)
Net cash increase (decrease) during the year	2,023,337	(631,719)
Cash position beginning of year	406,174	1,037,893
Cash Position End of Year	2,429,511	406,174

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2017

Notes to Financial Statements

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;

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(a corporation without share capital)

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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.

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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.

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.

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December 31, 2017

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
City of Brantford	42,383	0
	<u>151,549</u>	<u>140,527</u>
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>1,431,557</u>	<u>936,119</u>

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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>
Investment income is allocated as follows:		
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.

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Note 7 Accounts Payable and Accrued Liabilities

	2017	2016
Accounts payable	\$ 589,962	\$ 1,035,787
Operating subsidy payable	549,763	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>2,316,546</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	\$ 3,756,452
2019	3,619,173
2020	3,280,758
2021	2,974,648
2022	2,887,706

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.

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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 FundingThe 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).

In addition, the Corporation entered into an agreement with the Regional Municipality of Waterloo to receive funding of up to \$90,582 under the Community Housing Investment Fund (CHIF) to carry out capital repairs. This amount is included in accounts receivable at year-end and has been reflected in these financial statements.

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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
	1,848,000	1,848,000
Accumulated amortization	(446,600)	(400,400)
	1,401,400	1,447,600

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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.

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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 a claim against the Corporation for damages totalling \$1,000,000. The insurance company is handling the claim and management believes the claim is without merit. The outcome is unknown and no amount has been accrued in these financial statements.

Victoria Park Community Homes Inc.

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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	(144,147)	426,382	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	3,446,334	4,152,810	2,773,104
Capital expenditures	0	33,768	2,207,084	2,240,852	1,328,675
	63,796	608,912	1,239,250	1,911,958	1,444,429

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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).

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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
Statement of Financial Position			
Total assets	\$ 808,530	\$ 6,731,563	\$ 7,988,174
Total liabilities	171,257	3,994,386	6,866,171
Net assets	637,273	2,737,177	1,122,003
	808,530	6,731,563	7,988,174
Statement of Operations			
			7 month period
Revenues	2,861,486	1,992,129	1,439,018
Expenses	2,824,707	1,651,490	1,427,665
	36,779	340,639	11,353
Cash Flows			
Operating activities	44,924	953,680	780,581
Financing and investing activities	(65,536)	(713,917)	(554,807)
Change in cash	(20,612)	239,763	225,774

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.

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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.

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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	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)	
AJE03	31/12/2017	AR MMAH BRANTFORD	1500-235	AIRS	42,383.00				
AJE03	31/12/2017	SUBSIDY PAYABLE M.M.A.H.	2115-110	AIRS		461,741.00			
AJE03	31/12/2017	SUBSIDY PAYABLE M.M.A.H.	2115-110	AIRS		3,491.00			
AJE03	31/12/2017	SUBSIDY PAYABLE M.M.A.H.	2115-110	AIRS		73,700.00			
AJE03	31/12/2017	CURRENT YEAR SUBSIDY ADJUS1	3400-125	AIRS	461,741.00				
AJE03	31/12/2017	CURRENT YEAR SUBSIDY ADJUS1	3400-125	AIRS		42,383.00			
AJE03	31/12/2017	CURRENT YEAR SUBSIDY ADJUS1	3400-125	AIRS	3,491.00				
AJE03	31/12/2017	CURRENT YEAR SUBSIDY ADJUS1	3400-125	AIRS	73,700.00				
To post AIR adjustments for 2017					581,315.00	581,315.00	2,280,827.30	(496,549.00)	
AJE04	31/12/2017	DEVELOPMENT STABILIZATION FL	2500-120	CLIENT		120,985.57			
AJE04	31/12/2017	INTERNAL TRANSFERS	2600-260	CLIENT		338,872.32			
AJE04	31/12/2017	SURPLUS / DEFICIT	2900-100	CLIENT	459,857.89				
To apply order of transfers (provided by client ref aje3)					459,857.89	459,857.89	2,280,827.30	0.00	
AJE05	31/12/2017	INTERNALLY RESTRICTED FUNDS	2500-110	CLIENT	558,017.17				
AJE05	31/12/2017	DEVELOPMENT STABILIZATION FL	2500-120	CLIENT		557,017.17			
AJE05	31/12/2017	CONTRIBUTED SURPLUS	2500-130	CLIENT		1,767,605.80			
AJE05	31/12/2017	CONTRIBUTED SURPLUS	2500-130	CLIENT					
AJE05	31/12/2017	SURPLUS / DEFICIT	2900-100	CLIENT	1,766,605.80				
To correct balances to tie into audited financial statements (client reference aje5)					2,324,622.97	2,324,622.97	2,280,827.30	0.00	
					3,378,509.72	3,378,509.72	2,280,827.30	(505,497.70)	

Victoria Park Community Homes Inc.

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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							2,280,827.30			
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	2,280,827.30	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	2,280,827.30	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.PYC	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	2,280,827.30	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	2,280,827.30	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	2,280,827.30	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	2,280,827.30	0.00		
							70,079,176.00	70,079,176.00	2,280,827.30	0.00