

Financial Statements

Victoria Park Affordable Housing Corp.

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 Affordable Housing Corp.:

We have audited the accompanying financial statements of Victoria Park Affordable Housing Corp., 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 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 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 Affordable Housing Corp. 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.

Toronto, Ontario
[Date of the auditors' report]

Chartered Professional Accountants, Licensed Public Accountants

Revised Draft - April 27, 2018

Victoria Park Affordable Housing Corp.

(a corporation without share capital)

December 31, 2017

Statement of Financial Position	2017	2016
Current Assets		
Cash	\$ 941,617	\$ 701,854
Investments, Note 3	569,896	0
Tenant receivables, (net of allowance 2017 \$5,944, 2016 \$1,814)	16,958	11,965
Due from VPCHI, Note 8	31,228	433,526
Current portion of loan receivable from VPCHI, Note 4	102,491	99,502
Prepaid expenses	26,943	26,533
Total Current	1,689,133	1,273,380
Loan Receivable From VPCHI, Note 4	3,179,931	3,282,422
Capital Assets, Note 5	1,862,499	1,953,579
	6,731,563	6,509,381

Approved by The Board

Director

Director

Victoria Park Affordable Housing Corp.

(a corporation without share capital)

December 31, 2017

Statement of Financial Position	2017	2016
Current Liabilities		
Accounts payable and accrued liabilities	\$ 80,793	\$ 51,049
Current portion of mortgages, Note 6	117,242	113,819
Due to VPCHMP, Note 8	31,606	56,474
Prepaid rent	23,657	34,174
Total Current	253,298	255,516
Tenants' Security Deposits	111,937	110,880
Mortgages Payable, Note 6	3,629,151	3,746,447
Total Liabilities	3,994,386	4,112,843
Changes in Net Assets, per statement		
Insurance reserve, Note 7	20,000	20,000
Future project development fund, Note 7	62,558	0
Contributed surplus	1,767,606	1,767,606
Accumulated surplus	887,013	608,932
	2,737,177	2,396,538
	6,731,563	6,509,381

The notes on pages 11 through 16 form an integral part of these financial statements.

Victoria Park Affordable Housing Corp.

(a corporation without share capital)

December 31, 2017

Statement of Changes in Net Assets

	Insurance Reserve	Future Project Development Fund	Contributed Surplus	Accumulated Surplus	2017 Total	2016 Total
Balance beginning	\$ 20,000	\$ 0	\$ 1,767,606	\$ 608,932	\$ 2,396,538	\$ 2,006,220
Add						
Excess of revenues over expenditures	0	0	0	340,639	340,639	390,318
Interfund transfer	0	62,558	0	(62,558)	0	0
Balance December 31	20,000	62,558	1,767,606	887,013	2,737,177	2,396,538

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Victoria Park Affordable Housing Corp.

(a corporation without share capital)

Year ended December 31, 2017

Statement of Operations	2017	2016
Revenues		
Rents	\$ 1,882,383	\$ 1,630,930
Vacancy losses	(9,011)	(16,633)
Provincial rent supplement	0	223,530
Interest, Note 8	118,757	101,763
Total Revenues	1,992,129	1,939,590
Expenses		
Operating, per schedule	625,449	822,525
Property, per schedule	311,545	307,180
Amortization	221,787	180,885
Harmonized sales tax	80,542	88,528
Mortgage interest	112,531	116,138
Interest on tenants' deposits	53	2,905
Total Expenses	1,351,907	1,518,161
Excess of Revenues Over Expenditures Before Direct Subsidies and Other	640,222	421,429
Direct subsidies	(299,583)	(72,325)
Excess of Revenues Over Expenditures Before Other	340,639	349,104
Other		
Gain on sale of property	0	41,214
Excess of Revenues Over Expenditures	340,639	390,318

Victoria Park Affordable Housing Corp.

(a corporation without share capital)

Year ended December 31, 2017

Schedule of Expenditures	2017	2016
Property		
Maintenance	\$ 204,554	\$ 202,998
Utilities	105,918	103,041
Travel	1,073	1,141
	<u>311,545</u>	<u>307,180</u>
Operating		
Municipal taxes, Note 9	320,402	512,125
Management fees, Note 8	235,993	244,488
Insurance	31,922	30,963
Bad debts	6,798	7,660
Office and general	10,381	10,784
Professional fees	19,953	16,505
	<u>625,449</u>	<u>822,525</u>

Victoria Park Affordable Housing Corp.

(a corporation without share capital)

Year ended December 31, 2017

Statement of Cash Flows	2017	2016
Operating Activities		
Excess of revenues over expenditures	\$ 340,639	\$ 390,318
Items not involving cash		
Amortization	221,787	180,885
Gain on sale of property	0	(41,214)
Changes in non-cash working capital balances	391,254	(231,695)
Cash Provided By Operating Activities	953,680	298,294
Investing Activities		
Investments	(569,896)	0
Principal repaid on loan from VPCHI	99,502	96,601
Proceeds from sale of properties	0	41,214
Purchase of capital assets	(130,707)	(36,836)
Cash (Used In) Provided By Investing Activities	(601,101)	100,979
Financing Activities		
Principal repaid on mortgages	(113,873)	(110,482)
Tenants' security deposits	1,057	9,374
Cash Used In Financing Activities	(112,816)	(101,108)
Net cash increase during the year	239,763	298,165
Cash position beginning of year	701,854	403,689
Cash Position End of Year	941,617	701,854

Victoria Park Affordable Housing Corp.

(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 on August 1, 2013 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.

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 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.

Rents are recognized when due at the beginning of each month.

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.

Capital Assets

Capital assets are recorded at cost. Capital assets are amortized on a straight line basis over their estimated useful lives as follows:

Buildings and renovation costs	between 5 and 20 years, depending on component
Appliances	5 years
Equipment	5 years

Note 1 Significant Accounting Policies - continued

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. Significant financial statement items that require the use of estimates are capital assets, specifically in determining useful lives.

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, accounts receivable and notes receivable. Financial liabilities measured at amortized cost include accounts payable and long term debt.

The Corporation's financial assets measured at fair value include Social housing bond and equity funds.

(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.

Victoria Park Affordable Housing Corp.

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December 31, 2017

Note 2 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 cash accounts. The Corporation maintains all of its cash at a single Canadian financial institution. The maximum credit risk is equivalent to the carrying value.

The Corporation is subject to concentrations of credit risk through its accounts receivable. Rent is due on the first day of the month. Tenant 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. The Corporation is also exposed to a concentration of credit risk related to its note receivable which is due from a related party.

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 funds available to meet scheduled payments on its long-term debt in the near term. The Corporation also has loans receivable that are expected to be collected over the same repayment period of its long-term debt.

Interest Rate Risk

The Corporation is exposed to interest rate risk on its fixed interest rate financial instruments. The fixed interest rate and period of repayment on its loans receivable and long-term debt are the same and this situation mitigates most exposure to interest rate risk.

Note 3 Investments

	2017	2016
Social housing short-term bond funds	\$ 112,889	\$ 0
Social housing bond funds	216,570	0
Social housing equity funds	240,437	0
	<u>569,896</u>	<u>0</u>

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(a corporation without share capital)

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Note 4 Loans Receivable from Victoria Park Community Housing Inc. (VPCHI)

	2017	2016
\$2,500,000 loan receivable with monthly principal and interest payments of \$11,793, interest at 2.97% per annum, term of 25 years, ending November 1, 2040.	\$ 2,340,551	\$ 2,411,705
\$1,000,000 loan receivable with monthly principal and interest payments of \$4,738, interest at 3.01% per annum, term of 25 years, ending May 1, 2040.	941,871	970,219
	<u>3,282,422</u>	<u>3,381,924</u>
Less: current portion	102,491	99,502
	<u>3,179,931</u>	<u>3,282,422</u>

Note 5 Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Land and buildings	\$ 2,379,728	\$ (544,955)	\$ 1,834,773	\$ 1,930,717
Appliances	40,812	(14,540)	26,272	20,827
Equipment	4,433	(2,979)	1,454	2,035
	<u>2,424,973</u>	<u>(562,474)</u>	<u>1,862,499</u>	<u>1,953,579</u>

Note 6 Mortgages Payable

	2017	2016
Secured by land and buildings at 2344 Barton Street, assignment of rents and a guarantee from VPCHI, monthly principal and interest payments of \$7,106, interest at 3.01% per annum, term of 5 years, matures May 1, 2020.	\$ 1,391,715	\$ 1,434,719
Secured by land and buildings at 175 and 195 Limeridge Road West, assignment of rents and a guarantee from VPCHI, monthly principal and interest payments of \$11,793, interest at 2.97% per annum, term of 5 years, matures November 1, 2020.	<u>2,354,678</u>	<u>2,425,547</u>
Less: current portion	117,242	113,819
	<u>3,629,151</u>	<u>3,746,447</u>

Victoria Park Affordable Housing Corp.

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Note 6 Mortgages Payable - continued

Expected principal payments in the next five years are approximately as follows:

2018	\$	117,242
2019		120,768
2020		124,400
2021		128,141
2022		131,995

Note 7 Restrictions on Net Assets and Interfund Transfers

(a) 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 \$20,000 as prescribed by the Board of Directors.

(b) 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 8 Related Corporations and Related Party Transactions

The following non-profit corporations share directors and management personnel with the Corporation:

Victoria Park Community Homes Management Project (VPCHMP)

VPCHMP offers property development, management and consulting services to the non-profit housing sector in the Province of Ontario. During the year, the Corporation paid management fees at exchange amount to VPCHMP under the terms of a property management agreement of \$235,993 (2016 - \$244,488). The amount due to VPCHMP carries normal terms of trade. The agreement is from June 1, 2017 to December 31, 2019.

Victoria Park Community Homes Inc. (VPCHI)

VPCHI is a provider of non-profit and subsidized housing. The Corporation has notes receivable from VPCHI as described in Note 4. The other amounts due to or from VPCHI carry no fixed terms of repayment. Related party transactions include interest income from VPCHI of \$98,861 (2016 - \$101,763).

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December 31, 2017

Note 8 Related Corporations and Related Party Transactions - continued

Kitchener Alliance Community Homes Inc. (KACHI)

KACHI is a provider of non-profit and subsidized housing.

Note 9 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 \$127,573. These amounts are reflected in the current year surplus.

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Victoria Park Affordable Housing Corp.

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	Annotation	Debit	Credit	Recurrence	Misstatement
AJE01	31/12/2017	ACCUM OTHER COMP INCOME	2600-350	A10		11,902.12			
AJE01	31/12/2017	INTEREST INCOME	3600-200	A10			11,902.12		
		To allocate investment income to operations							
AJE02	31/12/2017	ACC AMT - 20 Years	1880-800	U4			14,495.00		
AJE02	31/12/2017	Amortization Loans Waterloo	8200-200	U4		14,495.00			
		To adjust amortization expense for AF05							
AJE03	31/12/2017	ACC AMT - 10 Years	1880-700	U2			8,143.05		
AJE03	31/12/2017	ACC AMT - 10 Years	1880-700	U2		3,855.01			
AJE03	31/12/2017	Amortization Loans Waterloo	8200-200	U2		8,143.05			
AJE03	31/12/2017	Amortization Loans Waterloo	8200-200	U2			3,855.01		
		To adjust amortization expense for capital assets being amortized over 10 years							
AJE04	31/12/2017	Development Fund	2500-120	TT3			62,557.81		
AJE04	31/12/2017	SURPLUS / DEFICIT	2900-100	TT3	TT3	62,557.81			
		To allocate 18% of surplus to the development fund							
						100,952.99	100,952.99		
		Net Income (Loss)	340,638.93						

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Victoria Park Affordable Housing Corp.

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							340,638.93			
RJE01	31/12/2017	Reclass PHN Bond	113.600.BND.PYC	A3	216,570.00					
RJE01	31/12/2017	Reclass PHN Equity	113.600.EQT.PYC	A3	240,436.98					
RJE01	31/12/2017	Reclass PHN funds	113.600.PHN.PYC	A3		569,895.98				
RJE01	31/12/2017	Reclass PHN ST Bond	113.600.STB.PYC	A3	112,889.00					
To reclass PHN investments based on the type of investment for FS purposes					569,895.98	569,895.98	340,638.93	0.00		
RJE02	31/12/2017	To reclass current portion of the mo	225.PYC			117,242.00				
RJE02	31/12/2017	To reclass current portion of mortg	231.PYC		117,242.00					
to reclass current portion of mortgage payable					117,242.00	117,242.00	340,638.93	0.00		
RJE03	31/12/2017	Reclass - current portion of loan to	115.400.PYC	B4	102,491.00					
RJE03	31/12/2017	Reclass Mgmt Company payable	115.600.PYC	B4		102,491.00				
To reclass current portion of loan receivable					102,491.00	102,491.00	340,638.93	0.00		
RJE04	31/12/2017	Reclass outstanding deposit	111.200.PYC	A1		230,461.16				
RJE04	31/12/2017	Reclass outstanding deposit	115.500.PYC	A1	230,461.16					
To reclass outstanding deposits in bank reconciliation					230,461.16	230,461.16	340,638.93	0.00		
					1,020,090.14	1,020,090.14	340,638.93	0.00		