

## Financial Statements

**Victoria Park Affordable Housing Corp.**

Hamilton, Ontario

*December 31, 2016*

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 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, 2016, 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, 2016, 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

DRAFT

**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

December 31, 2016

<b>Statement of Financial Position</b>	2016	2015
<b>Current Assets</b>		
Cash	\$ 701,854	\$ 403,689
Tenant receivables, (net of allowance 2016 \$1,814, 2015 \$5,349)	11,965	15,505
Due from VPCHI, Note 6	433,526	230,553
Current portion of loan receivable from VPCHI	99,502	96,601
Prepaid expenses	26,533	25,656
<b>Total Current</b>	1,273,380	772,004
<b>Loan Receivable From VPCHI</b>	3,282,422	3,381,924
<b>Capital Assets, Note 4</b>	1,953,579	2,097,628
	6,509,381	6,251,556

**Approved by The Board**

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

December 31, 2016

<b>Statement of Financial Position</b>	2016	2015
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 51,049	\$ 75,555
Current portion of mortgages, Note 5	113,819	83,178
Due to VPCHMP, Note 6	56,474	71,269
Prepaid rent	34,174	26,258
<b>Total Current</b>	255,516	256,260
<b>Tenants' Security Deposits</b>	110,880	101,506
<b>Mortgages Payable</b> , Note 5	3,746,447	3,887,570
<b>Total Liabilities</b>	4,112,843	4,245,336
<b>Changes in Net Assets</b> , per statement		
Insurance reserve	20,000	10,000
Contributed surplus	1,767,606	1,767,606
Accumulated surplus	608,932	228,614
	2,396,538	2,006,220
	6,509,381	6,251,556

The notes on pages 11 through 15 form an integral part of these financial statements.

**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

December 31, 2016

**Statement of Changes in Net Assets**

	Insurance Reserve	Contributed Surplus	Accumulated Surplus	2016 Total	2015 Total
Balance beginning	\$ 10,000	\$ 1,767,606	\$ 228,614	\$ 2,006,220	\$ 732,052
Add (deduct)					
Excess of revenues over expenditures	0	0	390,318	390,318	238,804
Interfund transfer	10,000	0	(10,000)	0	0
Contributed land and buildings	0	0	0	0	1,035,364
<b>Balance December 31</b>	<b>20,000</b>	<b>1,767,606</b>	<b>608,932</b>	<b>2,396,538</b>	<b>2,006,220</b>

**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

Year ended December 31, 2016

<b>Statement of Operations</b>	2016	2015
<b>Revenues</b>		
Rents	\$ 1,630,930	\$ 1,347,988
Vacancy losses	(16,633)	(19,582)
Provincial rent supplement	223,530	170,027
Interest, Note 6	101,763	32,070
<b>Total Revenues</b>	<b>1,939,590</b>	<b>1,530,503</b>
<b>Expenses</b>		
Operating, per schedule	822,525	706,177
Property, per schedule	307,180	289,107
Amortization	180,885	101,558
Harmonized sales tax	88,528	60,744
Mortgage interest	116,138	45,711
Interest on tenants' deposits	2,905	1,757
<b>Total Expenses</b>	<b>1,518,161</b>	<b>1,205,054</b>
<b>Excess of Revenues Over Expenditures Before Direct Subsidies and Other</b>	<b>421,429</b>	<b>325,449</b>
Direct subsidies	(72,325)	(86,645)
<b>Excess of Revenues Over Expenditures Before Other</b>	<b>349,104</b>	<b>238,804</b>
<b>Other</b>		
Gain on sale of property	41,214	0
<b>Excess of Revenues Over Expenditures</b>	<b>390,318</b>	<b>238,804</b>



**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

*Year ended December 31, 2016*

<b>Schedule of Expenditures</b>	2016	2015
<b>Property</b>		
Maintenance	\$ 202,998	\$ 201,598
Utilities	103,041	87,065
Travel	1,141	444
	<u>307,180</u>	<u>289,107</u>
<b>Operating</b>		
Municipal taxes	512,125	405,726
Management fees, Note 6	244,488	195,968
Insurance	30,963	36,080
Bad debts	7,660	23,029
Office and general	10,784	12,782
Professional fees	16,505	32,592
	<u>822,525</u>	<u>706,177</u>

**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

Year ended December 31, 2016

<b>Statement of Cash Flows</b>	2016	2015
<b>Operating Activities</b>		
Excess of Revenues Over Expenditures	\$ 390,318	\$ 238,804
Items not involving cash		
Amortization	180,885	101,558
Gain on sale of property	(41,214)	0
Changes in non-cash working capital balances	(231,695)	(357,472)
<b>Cash Provided By (Used In) Operating Activities</b>	298,294	(17,110)
<b>Investing Activities</b>		
Loan receivable from VPCHI	0	(3,500,000)
Principal repaid on loan from VPCHI	96,601	21,475
Proceeds from sale of properties	41,214	0
Purchase of capital assets	(36,836)	(147,164)
<b>Cash Provided By (Used In) Investing Activities</b>	100,979	(3,625,689)
<b>Financing Activities</b>		
Mortgage financing received	0	4,000,000
Principal repaid on mortgages	(110,482)	(29,252)
Tenants' security deposits	9,374	66,328
<b>Cash Provided By (Used In) Financing Activities</b>	(101,108)	4,037,076
Net cash increase during the year	298,165	394,277
Cash position beginning of year	403,689	9,412
<b>Cash Position End of Year</b>	701,854	403,689

**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

December 31, 2016

**Notes to Financial Statements**

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**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.

Rent supplement revenue received from the City of Hamilton is accrued and recognized in the month that the rent it is intended to subsidize is recorded.

**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

Development costs associated with new housing projects are capitalized and remain unamortized until units are ready for occupancy.

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**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.

**(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.

**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, 2016:

**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. 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.

**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

December 31, 2016

**Note 3 Loans Receivable from Victoria Park Community Housing Inc. (VPCHI)**

	2016	2015
\$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.	\$ 2,411,705	\$ 2,494,357
\$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.	970,219	984,168
	<u>3,381,924</u>	<u>3,478,525</u>
Less: current portion	99,502	96,601
	<u>3,282,422</u>	<u>3,381,924</u>

**Note 4 Capital Assets**

	2016		2015	
	Accumulated Cost	Net Carrying Amortization	Net Carrying Amount	Net Carrying Amount
Land and buildings	\$ 2,262,192	\$ (331,475)	\$ 1,930,717	\$ 1,915,689
Appliances	27,641	(6,814)	20,827	13,074
Equipment	4,433	(2,398)	2,035	4,142
Development costs	0	0	0	164,723
	<u>2,294,266</u>	<u>(340,687)</u>	<u>1,953,579</u>	<u>2,097,628</u>

**Note 5 Mortgages Payable**

	2016	2015
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.	\$ 1,434,719	\$ 1,476,252
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.	2,425,547	2,494,496
	<u>113,819</u>	<u>83,178</u>
Less: current portion	<u>3,746,447</u>	<u>3,887,570</u>

**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

December 31, 2016

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**Note 5 Mortgages Payable - continued**

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

2017	\$	113,819
2018		117,242
2019		120,768
2020		124,400
2021		128,141

**Note 6 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 \$244,488 (2015 - \$195,968). The amount due to VPCHMP carries normal terms of trade. The agreement is from June 1, 2014 to May 31, 2017.

**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 3. The other amounts due to or from VPCHI carry no fixed terms of repayment. Related party transactions include interest income from VPCHI of \$101,763 (2015 - \$32,070).

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

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

Victoria Park Affordable Housing Corp.

10. 1. 25

Year End: December 31, 2016

Client's adjusting entries

Date: 01/01/2016 To 31/12/2016

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg	Recurrence	
Net Income (Loss) Before Adjustments							387,679.26			
AJE01	31/12/2016	SURPLUS / DEFICIT	2900-100	L3	10,000.00					
AJE01	31/12/2016	INSURANCE EXPENSE	6820-100	L3		10,000.00				
To adjust increase in insurance reserve through a transfer from accumulated surplus instead of an expense					10,000.00	10,000.00	397,679.26	10,000.00		
AJE02	31/12/2016	ACCOUNTS PAYABLE	2100-110		3,235.38					
AJE02	31/12/2016	WATER AND SEWER	6700-100			3,235.38				
to adjust utility accrual					3,235.38	3,235.38	400,914.64	3,235.38		
AJE03	31/12/2016	ACCESSIBILITY IMPR	1800-610	U7	1,525.94					
AJE03	31/12/2016	ACC. DEP. Accessibility	1880-600	U7		1,525.94				
AJE03	31/12/2016	MAINTENANCE GENERAL	5300-100	U7		1,525.94				
AJE03	31/12/2016	Amortization Loans Waterloo	8200-200	U7	1,525.94					
To record amortization of accessibility improvements					3,051.88	3,051.88	400,914.64	0.00		
AJE04	31/12/2016	ACCRUED LMR INTEREST	2200-100			2,453.05				
AJE04	31/12/2016	INTEREST LMR	7300-100		2,453.05					
to adjust LMR interest per client					2,453.05	2,453.05	398,461.59	(2,453.05)		
AJE05	31/12/2016	ACC AMT - 10 Years	1880-700	U2		8,143.05				
AJE05	31/12/2016	Amortization Loans Waterloo	8200-200	U2	8,143.05					
To adjust amortization expense					8,143.05	8,143.05	390,318.54	(8,143.05)		
							<b>26,883.36</b>	<b>26,883.36</b>	<b>390,318.54</b>	<b>2,639.28</b>



Victoria Park Affordable Housing Corp.

10. 1. 26

Year End: December 31, 2016

Client's reclassifying journal entries

Date: 01/01/2016 To 31/12/2016

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg	Recurrence	Misstatement
Net Income (Loss) Before Adjustments							390,318.54			
RJE01	31/12/2016	Reclass outstanding deposit	111.200.PYC	A1		71,713.56				
RJE01	31/12/2016	Reclass outstanding deposit	115.500.PYC	A1	71,713.56					
		To reclass outstanding deposit that was not created until Jan 2017 to related parties receivable			71,713.56	71,713.56	390,318.54	0.00		
RJE02	31/12/2016	To reclass current portion of the mo	225.PYC			113,819.17				
RJE02	31/12/2016	To reclass current portion of mortg	231.PYC		113,819.17					
		to reclass current portion of mortgage payable			113,819.17	113,819.17	390,318.54	0.00	Recurring	
RJE03	31/12/2016	Reclass - current portion of loan to	115.400.PYC	B4	99,502.00					
RJE03	31/12/2016	Reclass Mgmt Company payable	115.600.PYC	B4		99,502.00				
		To reclass current portion of loan receivable			99,502.00	99,502.00	390,318.54	0.00	Recurring	
							<b>285,034.73</b>	<b>285,034.73</b>	<b>390,318.54</b>	<b>0.00</b>

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