

Financial Statements

Victoria Park Community Homes Inc.

Hamilton, Ontario

December 31, 2016

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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 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, 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. 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, 2016 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, 2016

Statement of Financial Position	2016	2015
Current Assets		
Cash	\$ 406,174	\$ 1,037,893
Receivables, Note 4	936,119	512,727
Prepaid expenses	315,374	314,520
Total Current	1,657,667	1,865,140
Investments , Note 5	1,901,381	3,321,975
Capital Assets , Note 6	44,965,596	48,348,552

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48,524,644 53,535,667

Approved by The Board

Director

Director

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2016

Statement of Financial Position	2016	2015
		Note 18
Current Liabilities		
Bank loan, Note 8	\$ 179,225	\$ 184,543
Accounts payable and accrued liabilities, Note 7	1,957,101	2,271,027
Accrued mortgage interest	132,692	137,287
Prepaid rents	230,975	214,661
Deferred revenue	153,737	237,271
Current portion of loan payable to VPAHC, Note 10	99,502	96,601
Total Current	2,753,232	3,141,390
Tenants' Security Deposits	898,744	854,207
Mortgages Payable , Note 9	37,990,534	42,836,012
Due to Regional Municipality of Waterloo , Note 11	236,345	686,345
Deferred Contributions Related to Capital Assets , 13	1,447,600	1,493,800
Loan Payable To VPAHC , Note 10	3,282,422	3,381,924
Vehicle Loan	0	1,051
Contingent Liabilities , Note 14		
Total Liabilities	46,608,877	52,394,729
Net Assets , per statement		
<i>Externally restricted</i>		
Replacement reserve fund, Notes 15 and 16	1,444,429	1,603,907
Subsidy surplus reserve fund, Note 15(b)	145,343	142,282
<i>Internally restricted</i>		
Insurance reserve fund, Notes 15(c)	150,000	150,000
Future project development fund, Notes 15(d)	1,093,695	558,018
Contributed surplus	353,611	353,611
Unrestricted	(1,271,311)	(1,666,880)
	1,915,767	1,140,938
	48,524,644	53,535,667

The notes on pages 11 through 26 form an integral part of these financial statements.

Victoria Park Community Homes Inc.

(a corporation without share capital)

Year ended December 31, 2016

Statement of Changes in Net Assets

	Externally Restricted		Internally Restricted				Unrestricted	2016 Total	2015 Total
	Replacement Reserve Fund	Subsidy Surplus Fund	Insurance Reserve Fund	Future Project Development Fund	Contributed Surplus				
	Note 16	Note 18							
Balance beginning	\$ 1,603,907	\$ 142,282	\$ 150,000	\$ 558,018	\$ 353,611	\$ (1,666,880)	\$ 1,140,938	\$ 2,980,748	
Add (deduct)									
Excess of revenues over expenditures	0	0	0	0	0	1,076,768	1,076,768	55,164	
Reserve funding	813,195	0	0	0	0	0	813,195	846,984	
Reserve investment income, Note 5	67,650	3,061	0	0	0	0	70,711	50,312	
Recovery of expenses	84,362	0	0	0	0	0	84,362	39,900	
Interfund transfer, Notes 15(a) and (b)	145,522	0	0	535,677	0	(681,199)	0	75,327	
Capital funding	58,468	0	0	0	0	0	58,468	64,791	
Reserve expenditures, Note 16	(1,328,675)	0	0	0	0	0	(1,328,675)	(1,936,924)	
Contributed land and buildings	0	0	0	0	0	0	0	(1,035,364)	
Balance December 31	1,444,429	145,343	150,000	1,093,695	353,611	(1,271,311)	1,915,767	1,140,938	

Victoria Park Community Homes Inc.

(a corporation without share capital)

Year ended December 31, 2016

Statement of Operations	2016	2015
Revenues		
Rents	\$ 15,449,001	\$ 15,447,165
Operating subsidy and provincial rent supplement	7,265,578	6,893,308
Commercial rental income	40,919	45,334
Vacancy losses	(227,604)	(579,039)
Amortization of deferred contributions, Note 13	46,200	46,200
Total Revenues	22,574,094	21,852,968
Expenses		
Mortgage interest	1,600,607	1,760,872
Less: federal interest reduction grant	(855,941)	(981,791)
	744,666	779,081
Harmonized sales tax	241,674	224,407
Property, per schedule	7,170,657	6,947,846
Operating, per schedule	6,996,031	6,883,807
Interest on tenants' deposits, net	7,382	20,377
Amortization	5,142,255	5,110,400
Replacement reserve allocation	813,195	846,984
Total Expenses	21,115,860	20,812,902
Excess of Revenues Over Expenditures Before Direct Subsidies	1,458,234	1,040,066
Direct subsidies	(833,722)	(912,691)
Excess of Revenues Over Expenditures Before Other	624,512	127,375
Other		
Prior year subsidy adjustments	(37,979)	(72,211)
Gain on sale of properties	490,235	0
Excess of Revenues Over Expenditures	1,076,768	55,164

Victoria Park Community Homes Inc.

(a corporation without share capital)

Year ended December 31, 2016

Schedule of Expenditures	2016	2015
Property		
Resident managers	\$ 959,610	\$ 949,594
Quarters allowance	280,422	308,704
Salary administration fee	183,580	154,099
Security	102,366	116,434
Cleaning and supplies	238,820	232,027
Maintenance	2,386,938	2,364,856
Utilities	3,018,921	2,822,132
	<hr/> 7,170,657	<hr/> 6,947,846
Operating		
Bad debts	133,151	68,196
Insurance	429,693	626,668
Management fees	1,387,152	1,378,053
Office and general	159,734	160,649
Eviction and recovery administration	110,302	85,312
Professional fees	95,693	36,514
Municipal taxes	4,651,836	4,501,045
ONPHA fees	28,470	27,370
	<hr/> 6,996,031	<hr/> 6,883,807

Victoria Park Community Homes Inc.

(a corporation without share capital)

Year ended December 31, 2016

Statement of Cash Flows	2016	2015
Operating Activities		
Excess of revenues over expenditures	\$ 1,076,768	\$ 55,164
Items not involving cash		
Amortization	5,142,255	5,110,400
Amortization of deferred contributions	(46,200)	(46,200)
Reserve allocations	813,195	846,984
Gain on sale of properties	(490,235)	0
Changes in non-cash working capital balances	(810,132)	3,467,924
Cash Provided By Operating Activities	5,685,651	9,434,272
Investing and Financing Activities		
Investments	1,420,594	(2,058,871)
Expenditure on capital assets	(1,759,154)	(773,604)
Tenants' security deposits	44,537	(45,923)
Bank loan advances (repayment)	(5,318)	1,213
Principal paid on VPAHC loan	(96,601)	0
Principal paid on loan from Regional Municipality of Waterloo	(450,000)	0
Principal repaid on vehicle loan	(1,051)	(5,262)
Principal repaid on mortgages	(4,845,478)	(4,936,889)
Proceeds from sale of properties	490,235	0
Cash Used In Investing and Financing Activities	(5,202,236)	(7,819,336)
Reserve Fund Activities		
Investment income on reserve funds	70,711	50,312
Recovery of expenses	84,362	39,900
Reserve fund expenditures	(1,328,675)	(1,936,924)
Capital funding	58,468	64,791
Cash Used In Reserve Fund Activities	(1,115,134)	(1,781,921)
Net cash decrease during the year	(631,719)	(166,985)
Cash position beginning of year	1,037,893	1,204,878
Cash Position End of Year	406,174	1,037,893

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2016

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;

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2016

Note 2 Significant Accounting Policies - continued

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

Revenue Recognition

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

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

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

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

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

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2016

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:

Rental unit	
154 Bronte Street	8 years
Building	
1021 Queenston Road	40 years
Appliances, equipment and truck	5 years
Building renovations	
101 Tuerr Drive and 39 Paulander Drive	20 years

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.

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Note 2 Significant Accounting Policies - continued

(b) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

Federal Interest Reduction Grant

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

Note 3 Financial Instruments

Risk Management Policy

The Corporation is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at December 31, 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. Tenants receivables represent rent that is at least one month past due. The credit risk associated with receivables from current tenants is offset somewhat by the Corporation holding deposits for each tenant.

Liquidity Risk

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

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2016

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

	2016	2015
Service Managers		
City of Hamilton	\$ 116,022	\$ 33,201
Regional Municipality of Waterloo	0	282
Regional Municipality of Halton	24,505	0
City of Brantford	0	7,988
	<u>140,527</u>	<u>41,471</u>
Harmonized sales tax	517,311	285,898
Rents (net of allowance 2016 \$57,409, 2015 \$63,742)	196,209	132,827
Other	82,072	52,531
	<u>936,119</u>	<u>512,727</u>

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2016

Note 5

Investments

	2016	2015
Phillips, Hager & North - Social Housing Investment Fund		
Short term bond fund	\$ 610,212	\$ 1,276,646
Bond fund	690,862	1,342,702
Equity fund	189,102	307,291
RBC Dominion Securities - various interest bearing investments with varying rates of interest from 2.60% to 2.95%, maturing from 2018 to 2019	258,172	258,185
Savings accounts	9,381	9,298
Brokers' cash account	77,001	69,814
Cash in trust	66,651	58,039
	<u>1,901,381</u>	<u>3,321,975</u>
Investment income is allocated as follows:		
Reserves	70,711	50,312
Operations	561	676
	<u>71,272</u>	<u>50,988</u>

Note 6

Capital Assets

	2016		2015	
	Accumulated Cost	Net Amortization	Net Carrying Amount	Net Carrying Amount
Land, buildings and chattels, accounted for using Service Manager prescribed accounting policies	\$ 82,129,598	\$(49,582,140)	\$ 32,547,458	\$ 37,278,101
Land and buildings - unrestricted use	18,868,668	(18,875,769)	(7,101)	189
Building renovations - 101 Tuerr Drive and 39 Paulander Drive	693,523	(21,973)	671,550	638,266
Capital repairs	6,925,952	(717,606)	6,208,346	4,813,854
Land	737,632	0	737,632	737,632
Rental unit	57,143	(57,143)	0	2,991
Rental property	5,416,278	(698,741)	4,717,537	4,803,884
Appliances	86,416	(50,570)	35,846	9,812
Equipment	64,270	(45,224)	19,046	22,853
Truck	41,417	(26,930)	14,487	18,270
Development costs	20,795	0	20,795	22,700
	<u>115,041,692</u>	<u>(70,076,096)</u>	<u>44,965,596</u>	<u>48,348,552</u>

Victoria Park Community Homes Inc.

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Note 7 Accounts Payable and Accrued Liabilities

	2016	2015
Accounts payable	\$ 1,035,786	\$ 1,222,507
Operating subsidy payable	20,338	258,163
Other payables and accrued liabilities	297,539	386,795
Due to VPAHC, Note 17	431,130	230,553
Due to VPCHMP, Note 17	172,307	173,009
	<u>1,957,100</u>	<u>2,271,027</u>

Note 8 Bank Loan

The Corporation has credit facilities with the Royal Bank of Canada in the amount of \$200,000. Monthly blended payments of principal and interest are \$1,073 with interest at 4.15% per annum. The loan matures October 15, 2017.

Note 9 Mortgages Payable

	2016	2015
There are 24 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 2017 to 2028. The aggregate monthly payment, including interest, is \$434,017.	\$ 37,990,534	\$ 42,836,012

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:

2017	\$ 3,649,299
2018	2,914,774
2019	2,327,161
2020	1,880,768
2021	1,526,250

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

	2016	2015
\$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. \$	2,425,546	\$ 2,494,357
\$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.	956,378	984,168
	3,381,924	3,478,525
Less: current portion	99,502	96,601
	3,282,422	3,381,924

Note 11 Due to the Regional Municipality of Waterloo

	Paulander Drive	2016 Total	2015 Total
Due to the Regional Municipality of Waterloo \$	0	\$ 236,345	\$ 686,345

In 2003, MMAH advanced \$450,000 for significant building repairs for the property located at 101 Tuerr Drive in the City of Kitchener. The loan was non-interest bearing and the full amount was due September 30, 2016. The loan was paid during the year.

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 properties was transferred from the MMAH to the Regional Municipality of Waterloo.

Note 12 Capital Funding

The Regional Municipality of Waterloo

The Corporation entered into eight (8) agreements with the Regional Municipality of Waterloo for one-time grant for a total approved amount of \$704,698. The Corporation is required to establish a separate fund for the one-time grants as prescribed by the Regional Municipality of Waterloo and a requirement of the Social Housing Renovation & Retrofit Program (SHRRP) agreement. Funding will be provided in stages as the Corporation meets the criteria of the program. As at year end, all work was completed.

Victoria Park Community Homes Inc.

(a corporation without share capital)

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Note 12 Capital Funding - continued

The Regional Municipality of Halton

The Corporation entered into two (2) SHRRP agreements with the Regional Municipality of Halton for one-time grants for a total approved amount of \$481,203. Funds from the program were only spent on projects approved by the Regional Municipality of Halton. As at year end, all work was completed.

City of Brantford

The Corporation was approved for four (4) SHRRP grants from the City of Brantford for a total approved amount of \$460,248. Funds from the program can only be spent on projects approved by the City of Brantford. Funding will be provided in stages as the corporation meets the criteria of the program. As at year end all work was completed.

City of Hamilton

The Corporation entered into several SHRRP agreements with the City of Hamilton for one-time grants for a total approved amount of \$9,147,897. Funds from the program were only spent on projects approved by the City of Hamilton. As at year end all work was completed.

The Corporation has entered into a Special Advance Agreement with the City of Hamilton for a one time grant of \$187,000 under the Capital Reserve Fund approved by City Council. Funds were used to supply and install elevating systems and retrofit at two locations. At year end all work has been completed.

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:

	2016	2015
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	(400,400)	(354,200)
	<u>1,447,600</u>	<u>1,493,800</u>

Victoria Park Community Homes Inc.

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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, 2016, 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, 2016 was \$3,381,924. These loans are also secured by first mortgage charges on land and building owned by VPAHC.

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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 \$102,500 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	2016	2015
Balance, beginning of year	\$ 46,721	\$ 430,821	\$ 1,126,365	\$ 1,603,907	\$ 2,284,068
Reserve funding	8,664	214,889	589,642	813,195	846,984
Investment income	0	13,774	53,876	67,650	48,613
Interfund transfer	0	0	145,522	145,522	256,475
Recovery of expenses	0	0	84,362	84,362	39,900
Solar revenue	0	17,447	41,021	58,468	64,791
	55,385	676,931	2,040,788	2,773,104	3,540,831
Capital expenditures	253	167,534	1,160,888	1,328,675	1,936,924
	55,132	509,397	879,900	1,444,429	1,603,907

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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.

Kitchener Alliance Community Homes Inc. (KACHI)

On October 2, 2014, five (5) of the twelve (12) Victoria Park Community Homes Inc. board members constituted the board of directors of KACHI.

Because of conditions imposed by the Region of Waterloo, the board has chosen not to consolidate KACHI into the VPCHI financial statements.

VPCHMP and KACHI financial statements at December 31, 2016 are as summarized follows:

	VPCHMP	KACHI	2016	2015
Statement of Financial Position				
Total assets	\$ 0	\$ 9,103,529	\$ 9,103,529	\$ 11,228,552
Total liabilities	0	8,132,466	8,132,466	9,410,376
Net assets	0	971,063	971,063	1,818,176
	0	9,103,529	9,103,529	11,228,552
Statement of Operations				
Revenues	0	3,960,195	3,960,195	6,496,359
Expenses	0	3,861,502	3,861,502	6,351,806
	0	98,693	98,693	144,553
Cash Flows				
Operating activities	0	107,788	107,788	234,396
Financing and investing activities	0	(50,014)	(50,014)	(86,518)
Change in cash	0	57,774	57,774	147,878

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Note 17 Related Corporations - continued

The Corporation entered into a contract with VPCHMP to manage, develop projects, 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 2016). The contract expired December 31, 2016. Payable to (receivable from) VPCHMP at year is \$172,307 (2015 - \$173,009). Transactions with VPCHMP are recorded at exchange value and are as follows:

	2016	2015
Expenses:		
Management fees	\$ 1,387,152	\$ 1,594,452
Maintenance fees	377,859	470,915
Laundry fees	12,268	10,536
Development fees	16,575	5,000
Rent supplement administration fees	3,449	3,470
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 \$101,763 (2015 - \$32,070).

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2016

Note 17 Related Corporations - continued

The VPAHC financial statements at December 31, 2016 are summarized as follows:

	2016	2015
Statement of Financial Position		
Total assets	\$ 6,509,381	\$ 6,251,556
Total liabilities	4,112,843	4,238,703
Net assets	2,396,538	2,012,853
	<u>6,509,381</u>	<u>6,251,556</u>
Statement of Operations		
Revenues	1,939,590	1,530,503
Expenses	1,549,272	1,285,066
	<u>390,318</u>	<u>245,437</u>
Cash Flows		
Operating activities	298,294	(17,110)
Financing and investing activities	(129)	411,387
Change in cash	<u>298,165</u>	<u>394,277</u>

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.

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 is year is \$27,497 (2015, \$27,138).

Note 20 Subsequent Event

Subsequent to year end, the Corporation decided to amalgamate with Kitchener Alliance Community Homes Inc. (KACHI). The amalgamation is expected to be completed on December 31, 2017.

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 \$xx,xxx. No amounts related to these commitments have been recorded in these financial statements.

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Note 22 SHEEP and SHIP Funding

The Corporation has been approved for a number of capital projects under the Social Housing Electricity Efficiency Program (SHEEP) and Social Housing Improvement Program (SHIP), for a total estimated amount of **\$xx,xxx**. No amounts related to these funding agreements are recorded in these financial statements.

Note 23 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.

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Victoria Park Community Homes Inc.

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							1,079,825.64		
AJE01	31/12/2016	ACC AMORT LOANS	1880-600	U6	57,143.19				
AJE01	31/12/2016	Accum Am Rental Unit	1880-601	U6		57,143.19			
To transfer accumulated amortization for rental unit to a separate account					57,143.19	57,143.19	1,079,825.64	0.00	
AJE02	31/12/2016	AR MMAH WATERLOO	1500-225	D3	8,610.00				
AJE02	31/12/2016	AR MMAH HALTON	1500-245	D3		8,612.00			
AJE02	31/12/2016	SUBSIDY PAYABLE M.M.A.H.	2115-110	D3		8,612.00			
AJE02	31/12/2016	SUBSIDY PAYABLE M.M.A.H.	2115-110	D3	8,612.00				
AJE02	31/12/2016	SM OPERATING SUBSIDY	3400-100	D3	2.00				
To adjust HSA accounts Halton and Waterloo					17,224.00	17,224.00	1,079,823.64	(2.00)	
AJE03	31/12/2016	CAPITAL WORK - 10 YEARS	1800-505		7,500.00				
AJE03	31/12/2016	ACCRUED LIABILITIES	2120-110			7,500.00			
adjusting entry per client to correct holdback amount from comfort plus					7,500.00	7,500.00	1,079,823.64	0.00	
AJE04	31/12/2016	INTERNALLY RESTRICTED FUNDS	2500-110			569.11			
AJE04	31/12/2016	MAINTENANCE GENERAL	5300-100		569.11				
To clear small balance					569.11	569.11	1,079,254.53	(569.11)	
AJE05	31/12/2016	AR RENT SUP. WATERLOO	1500-230	CLIENT		17,659.00			
AJE05	31/12/2016	AR RENT SUP. WATERLOO	1500-230	CLIENT	15,724.00				
AJE05	31/12/2016	PROVINCIAL SUPPLEMENT	3400-210	CLIENT	17,659.00				
AJE05	31/12/2016	PROVINCIAL SUPPLEMENT	3400-210	CLIENT		15,724.00			
To adjust subsidy accounts as provided by client					33,383.00	33,383.00	1,077,319.53	(1,935.00)	
AJE06	31/12/2016	AR RENT SUP. WATERLOO	1500-230			492.00			
AJE06	31/12/2016	AR RENT SUP. WATERLOO	1500-230			61.00			
AJE06	31/12/2016	PROVINCIAL SUPPLEMENT	3400-210		492.00				
AJE06	31/12/2016	PROVINCIAL SUPPLEMENT	3400-210		61.00				
To post entry provided by client to adjust subsidy accounts					553.00	553.00	1,076,766.53	(553.00)	
AJE07	31/12/2016	DEFERRED REVENUE	2300-100	TT4		108,196.49			
AJE07	31/12/2016	RENT SUBSIDY RESERVE FUND	2510-210	TT4	30,000.00				
AJE07	31/12/2016	INTEREST EARNED RENT SUBSID	2510-220	TT4	78,196.49				
To post entry provided by client to close out balance of VP24					108,196.49	108,196.49	1,076,766.53	0.00	
AJE08	31/12/2016	INTERNALLY RESTRICTED FUNDS	2500-110	TT7,		58,208.85			
AJE08	31/12/2016	INTERNAL TRANSFERS	2600-260	TT7,		145,522.08			
AJE08	31/12/2016	SURPLUS / DEFICIT	2900-100	TT7,	203,730.93				

Victoria Park Community Homes Inc.

10. 1. 25-1

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
		To post entry provided by client to adjust for transfers			203,730.93	203,730.93	1,076,766.53	0.00	
AJE09	31/12/2016	INTERNALLY RESTRICTED FUNDS	2500-110	TT7		477,468.43			
AJE09	31/12/2016	SURPLUS / DEFICIT	2900-100	TT7	477,468.43				
		To post entry provided by client to adjust transfers			477,468.43	477,468.43	1,076,766.53	0.00	
AJE10	31/12/2016	INTEREST EARNED RENT SUBSID	2510-220	TT4,		3,061.96			
AJE10	31/12/2016	INTEREST EARNED UNALLOCATE	2600-310	TT4,	76,391.44				
AJE10	31/12/2016	INTEREST EARNED MMAH	2600-320	TT4,		66,055.94			
AJE10	31/12/2016	INTEREST EARNED 56.1	2600-330	TT4,		7,273.54			
		To post entry provided by client to allocate interest			76,391.44	76,391.44	1,076,766.53	0.00	
					982,159.59	982,159.59	1,076,766.53	(3,059.11)	

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Victoria Park Community Homes Inc.

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							1,076,766.53			
RJE01	31/12/2016	Land & Buildings - Unrestricted use	151.400.PYC	U6	19,475,479.00					
RJE01	31/12/2016	Reclass Acc AM Unrestricted Use	151.600.PYC	U6		18,875,769.00				
RJE01	31/12/2016	Reclass rental property #46 (debit)	152.100.PYC	U6	5,416,277.83					
RJE01	31/12/2016	Acc AM Rental Property	152.400.PYC	U6		698,741.48				
RJE01	31/12/2016	Reclass Unrestricted Use	151.100.01.PYC	U6		24,891,756.83				
RJE01	31/12/2016	Reclass Acc Am Unrestricted Use	151.300.01.PYC	U6	19,574,510.48					
To reclass unrestricted property (property that are out of the operating agreement) for FS presentation									Recurring	
					44,466,267.31	44,466,267.31	1,076,766.53	0.00		
RJE02	31/12/2016	Reclass Current Portion Loan Payabl	226.003.PYC	KK8		99,502.00				
RJE02	31/12/2016	Reclass Current Portion Loan Payabl	232.100.PYC	KK8	99,502.00					
To reclass current portion of loan payable to VPAHC									Recurring	
					99,502.00	99,502.00	1,076,766.53	0.00		
RJE03	31/12/2016	Reallocate Tuerr & Paulander	158.PYC	U9		693,523.00				
RJE03	31/12/2016	To reclass Tuerr & Paulander	159.100.PYC	U9	693,523.00					
To reclass costs for Tuerr and Paulander recorded under Capital Repairs for FS purposes									Recurring	
					693,523.00	693,523.00	1,076,766.53	0.00		
RJE04	31/12/2016	Reclass os cheque to RP	111.200.100.PYC	A1. A	71,713.56					
RJE04	31/12/2016	Reclass os cheque to RP payable	115.700.100.PYC	A1. A		71,713.56				
To reclass outstanding cheque owed to related party										
					71,713.56	71,713.56	1,076,766.53	0.00		
RJE05	31/12/2016	Reclass PHN Equity	113.600.EQ.PYC	A3	189,102.00					
RJE05	31/12/2016	Reclass PHN LT Bond	113.600.LTB.PYC	A3	690,862.00					
RJE05	31/12/2016	Reclass PHN ST Bond	113.600.STB.PYC	A3	610,212.00					
RJE05	31/12/2016	PHN Total	113.600.TOT.PYC	A3		1,490,176.00				
To reclass PHN investments for FS presentation										
					1,490,176.00	1,490,176.00	1,076,766.53	0.00		
					46,821,181.87	46,821,181.87	1,076,766.53	0.00		