

Financial Statements

Victoria Park Affordable Housing Corp.

Hamilton, Ontario

December 31, 2015

Revised Draft - May 9, 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** THE BOARD OF DIRECTORS 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, 2015, 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 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, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative Figures

Without modifying our opinion, we draw attention to Note 7 to the financial statements, which states that the statement of financial position and statement of changes in net assets as at December 31, 2014; statements of operations and cash flows for the year ended December 31, 2014, are unaudited. We were not engaged to report on the comparative information.

Toronto, Ontario
[Date of the auditors' report]

Chartered Professional Accountants, Licensed Public Accountants

Victoria Park Affordable Housing Corp.

(a corporation without share capital)

December 31, 2015

Statement of Financial Position	2015	2014
		Note 7
Current Assets		
Cash	\$ 403,689	\$ 9,412
Tenant receivables, (net of allowance 2015 \$5,349, 2014 \$1,837)	15,505	9,111
Due from VPCHI, Note 6	230,553	0
Current portion of loan receivable from VPCHI, Note 3	96,601	0
Prepaid expenses	25,656	13,945
Total Current	772,004	32,468
Loan Receivable From VPCHI, Note 3	3,381,924	0
Capital Assets, Note 4	2,097,628	1,016,658
	6,251,556	1,049,126

Approved by The Board

Director

Director

Victoria Park Affordable Housing Corp.

(a corporation without share capital)

December 31, 2015

Statement of Financial Position	2015	2014
		Note 7
Current Liabilities		
Accounts payable and accrued liabilities	\$ 75,555	\$ 50,674
Government remittances	0	476
Current portion of mortgages, Note 5	83,178	0
Due to VPCHI, Note 6	0	215,926
Due to VPCHMP, Note 6	71,269	108
Prepaid rent	26,258	14,712
Total Current	256,260	281,896
Tenants' Security Deposits	101,506	35,178
Mortgages Payable , Note 5	3,887,570	0
Total Liabilities	4,245,336	317,074
Changes in Net Assets , per statement		
Insurance reserve	10,000	0
Contributed surplus	1,767,606	732,242
Accumulated surplus	228,614	(190)
	2,006,220	732,052
	6,251,556	1,049,126

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, 2015

Statement of Changes in Net Assets

	Insurance Reserve	Contributed Surplus	Accumulated Surplus	2015 Total	2014 Total
Balance beginning	\$ 0	\$ 732,242	\$ (190)	\$ 732,052	\$ 0
Add (deduct)					Note 7
Excess of revenues over expenditures	0	0	238,804	238,804	(190)
Interfund transfer	10,000	0	(10,000)	0	0
Contributed land and buildings	0	1,035,364	0	1,035,364	732,242
Balance December 31	10,000	1,767,606	228,614	2,006,220	732,052

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Victoria Park Affordable Housing Corp.

(a corporation without share capital)

Year ended December 31, 2015

Statement of Operations	2015	2014
		Note 7
Revenues		
Rents	\$ 1,347,988	\$ 349,757
Vacancy losses	(19,582)	(8,145)
Provincial rent supplement	170,027	0
Interest, Note 6	32,070	3
Total Revenues	1,530,503	341,615
Expenses		
Operating, per schedule	706,177	147,674
Property, per schedule	289,107	91,143
Amortization	101,558	22,650
Harmonized sales tax	60,744	28,105
Mortgage interest	45,711	0
Interest on tenants' deposits	1,757	143
Total Expenses	1,205,054	289,715
Excess of Revenues Over Expenditures Before Direct Subsidies	325,449	51,900
Direct subsidies	(86,645)	(52,090)
Excess of Revenues Over Expenditures (Excess of Expenditures Over Revenues)	238,804	(190)

Victoria Park Affordable Housing Corp.

(a corporation without share capital)

Year ended December 31, 2015

Schedule of Expenditures	2015	2014
		Note 7
Property		
Maintenance	\$ 201,598	\$ 70,465
Utilities	87,065	20,347
Travel	444	331
	<u>289,107</u>	<u>91,143</u>
Operating		
Municipal taxes	405,726	86,249
Management fees, Note 6	195,968	43,488
Insurance	36,080	3,736
Bad debts	23,029	3,279
Office and general	12,782	3,753
Professional fees	32,592	7,169
	<u>706,177</u>	<u>147,674</u>

Victoria Park Affordable Housing Corp.

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Year ended December 31, 2015

Statement of Cash Flows	2015	2014
		Note 7
Operating Activities		
excess of revenues over expenditures (expenditures over revenues)	\$ 238,804	\$ (190)
Items not involving cash		
Amortization	101,558	22,650
Changes in non-cash working capital balances	(357,472)	258,840
Cash Provided By (Used In) Operating Activities	(17,110)	281,300
Investing Activities		
Loan receivable from VPCHI	(3,500,000)	0
Principal repaid on loan from VPCHI	21,475	0
Purchase of capital assets	(147,164)	(307,066)
Cash Used In Investing Activities	(3,625,689)	(307,066)
Financing Activities		
Mortgage financing received	4,000,000	0
Principal repaid on mortgages	(29,252)	0
Tenants' security deposits	66,328	35,178
Cash Provided By Financing Activities	4,037,076	35,178
Net cash increase during the year	394,277	9,412
Cash position beginning of year	9,412	0
Cash Position End Of Year	403,689	9,412

Victoria Park Affordable Housing Corp.

(a corporation without share capital)

December 31, 2015

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.

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.

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, 2015:

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.

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(a corporation without share capital)

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

	2015	2014
\$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.	\$ 2,494,357	\$ 0
\$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.	984,168	0
	3,478,525	0
Less: current portion	96,601	0
	3,381,924	0

Note 4 Capital Assets

	2015		2014	
	Accumulated Cost	Amortization	Net Carrying Amount	Net Carrying Amount
Land and buildings	\$ 2,073,065	\$ (157,376)	\$ 1,915,689	\$ 852,234
Appliances	15,209	(2,135)	13,074	1,967
Equipment	4,433	(291)	4,142	1,526
Development costs	164,723	0	164,723	160,931
	2,257,430	(159,802)	2,097,628	1,016,658

Note 5 Mortgages Payable

	2015	2014
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.	\$ 1,476,252	\$ 0
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.	2,494,496	0
Less: current portion	83,178	0
	3,887,570	0

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Note 5 Mortgages Payable - continued

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

2016	\$	83,178
2017		85,680
2018		88,256
2019		90,910
2020		93,645

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 \$195,968 (2014 - \$43,488). 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 \$32,070 (2014 - \$-0-).

In 2015 and in 2014, properties were transferred from VPCHI to the Corporation for no consideration. These transfers were recorded at the carrying value of the assets in VPCHI's financial statements immediately before the transfer which was \$1,035,364 in 2015 and \$732,242 in 2014. The transferred properties were as follows:

2014

2344 Barton Street East, Hamilton

2015

85 Bonaventure Drive, Hamilton
175 Limeridge Road West, Hamilton
195 Limeridge Road West, Hamilton

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Note 6 Related Corporations and Related Party Transactions - continued

Kitchener Alliance Community Homes Inc. (KACHI)

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

Note 7 Unaudited Comparative Figures

The statement of financial position and statement of changes in net assets as at December 31, 2014; statements of operations and cash flows for the year ended December 31, 2014, are unaudited.

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Victoria Park Affordable Housing Corp.

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Year End: December 31, 2015

Client's adjusting entries

Date: 01/01/2015 To 31/12/2015

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg	Recurrence
Net Income (Loss) Before Adjustments							270,505.15		
AJE01	31/12/2015	ALLOWANCE DOUBTFUL ACCOUN	1400		5,296.89				
AJE01	31/12/2015	BAD DEBT EXPENSE	6800			5,296.89			
To adjust 2015 allowance - PBC									
					5,296.89	5,296.89	275,802.04	5,296.89	
AJE02	31/12/2015	ACCRUED LIABILITIES	2280			8,169.15			
AJE02	31/12/2015	WATER AND SEWER	6700		8,169.15				
To adjust utility accrual									
					8,169.15	8,169.15	267,632.89	(8,169.15)	
AJE03	31/12/2015	Accrued Mortgage Interest	2296			9,815.60			
AJE03	31/12/2015	INTEREST EXPENSE	8100		9,815.60				
To accrue mortgage interest									
					9,815.60	9,815.60	257,817.29	(9,815.60)	
AJE04	31/12/2015	ACC AMT - 20 Years	1888			8,723.24			
AJE04	31/12/2015	Amortization Loans Waterloo	8205		8,723.24				
To adjust depreciation on capital assets (AF19 - 12,121.41, AF01 - (3,398.71))									
					8,723.24	8,723.24	249,094.05	(8,723.24)	
AJE05	31/12/2015	SURPLUS / DEFICIT	2900			3,657.00			
AJE05	31/12/2015	MAINTENANCE GENERAL	5300		3,657.00				
To reconcile accumulated surplus									
					3,657.00	3,657.00	245,437.05	(3,657.00)	
AJE06	31/12/2015	ACCRUED LIABILITIES	2280			6,633.18			
AJE06	31/12/2015	MAINTENANCE PLUMBING	5500		5,870.05				
AJE06	31/12/2015	HST EXPENSE	6465		763.13				
To accrue late invoices (entry from client)									
					6,633.18	6,633.18	238,803.87	(6,633.18)	
					42,295.06	42,295.06	238,803.87	(31,701.28)	

Victoria Park Affordable Housing Corp.

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Year End: December 31, 2015

Client's reclassifying journal entries

Date: 01/01/2015 To 31/12/2015

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg	Recurrence	Misstatement
Net Income (Loss) Before Adjustments							238,803.87			
RJE01	31/12/2015	Reclass - current portion of loan to	115.400.PYC		96,600.71					
RJE01	31/12/2015	Reclass Mgmt Company payable	115.600.PYC			96,600.71				
		To reclass the current portion of the loan to VPCHI			96,600.71	96,600.71	238,803.87	0.00		
RJE02	31/12/2015	To reclass current portion of the mo	225.PYC			83,178.31				
RJE02	31/12/2015	To reclass current portion of mortg	231.PYC		83,178.31					
		To reclass the current portion of the mortgage payable			83,178.31	83,178.31	238,803.87	0.00		
					179,779.02	179,779.02	238,803.87	0.00		

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