

## Financial Statements

### Victoria Park Affordable Housing Corp.

Hamilton, Ontario

December 31, 2018

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 6**

THE **DATE** MANAGEMENT TAKES RESPONSIBILITY FOR (APPROVES)  
THESE FINANCIAL STATEMENTS \_\_\_\_\_

DATE OF A.G.M. \_\_\_\_\_

DATE REQUIRED \_\_\_\_\_

# OF COPIES \_\_\_\_\_

## Contents

Independent Auditors' Report.....	3 - 5
Statement of Financial Position.....	6 - 7
Statement of Changes in Net Assets.....	8
Statement of Operations.....	9
Schedule of Expenditures.....	10
Statement of Cash Flows.....	11
Notes to Financial Statements.....	12 - 17

Revised Draft - April 29, 2019

# Independent Auditors' Report

**To the Members of Victoria Park Affordable Housing Corp.:**

## **Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the financial statements of Victoria Park Affordable Housing Corp., which comprise the statement of financial position as at December 31, 2018 and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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, 2018, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Victoria Park Affordable Housing Corp. in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing Victoria Park Affordable Housing Corp.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Victoria Park Affordable Housing Corp.'s financial reporting process.

## Independent Auditors' Report - continued

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Victoria Park Affordable Housing Corp.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Victoria Park Affordable Housing Corp.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## **Independent Auditors' Report - continued**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Ontario  
[Date of the auditors' report]

Chartered Professional Accountants, Licensed Public Accountants

Revised Draft - April 29, 2019

**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

December 31, 2018

<b>Statement of Financial Position</b>	2018	2017
<b>Current Assets</b>		
Cash	\$ 694,908	\$ 941,617
Investments, Note 3	554,889	569,896
Tenant receivables, (net of allowance 2018 \$12,952, 2017 \$5,944)	17,630	16,958
Due from VPCHI, Note 8	0	31,228
Current portion of loan receivable from VPCHI, Note 4	105,570	102,491
Prepaid expenses	29,511	26,943
<b>Total Current</b>	1,402,508	1,689,133
<b>Loan Receivable From VPCHI</b> , Note 4	3,074,361	3,179,931
<b>Capital Assets</b> , Note 5	2,702,040	1,862,499
	7,178,909	6,731,563

**Approved by The Board**

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

December 31, 2018

<b>Statement of Financial Position</b>	2018	2017
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 313,680	\$ 80,793
Current portion of mortgages, Note 6	120,768	117,242
Due to VPCHI, Note 8	130,575	0
Due to VPCHMP, Note 8	64,234	31,606
Prepaid rent	38,398	23,657
<b>Total Current</b>	667,655	253,298
<b>Tenants' Security Deposits</b>	116,770	111,937
<b>Mortgages Payable, Note 6</b>	3,508,283	3,629,151
<b>Total Liabilities</b>	4,292,708	3,994,386
<b>Changes in Net Assets, per statement</b>		
Insurance reserve, Note 7	20,000	20,000
Future project development fund, Note 7	150,000	62,558
Contributed surplus	1,767,606	1,767,606
Accumulated surplus	948,595	887,013
	2,886,201	2,737,177
	7,178,909	6,731,563

The notes on pages 12 through 17 form an integral part of these financial statements.

**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

December 31, 2018

**Statement of Changes in Net Assets**

	Insurance Reserve	Future Project Development Fund	Contributed Surplus	Accumulated Surplus	2018 Total	2017 Total
Balance beginning	\$ 20,000	\$ 62,558	\$ 1,767,606	\$ 887,013	\$ 2,737,177	\$ 2,396,538
Add						
Excess of revenues over expenditures	0	0	0	149,024	149,024	340,639
Interfund transfer	0	87,442	0	(87,442)	0	0
<b>Balance December 31</b>	<b>20,000</b>	<b>150,000</b>	<b>1,767,606</b>	<b>948,595</b>	<b>2,886,201</b>	<b>2,737,177</b>

Revised Draft - April 22, 2019



**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

Year ended December 31, 2018

<b>Statement of Operations</b>	2018	2017
<b>Revenues</b>		
Rents	\$ 1,950,354	\$ 1,882,383
Vacancy losses	(9,430)	(9,011)
Interest, Note 8	80,865	118,757
<b>Total Revenues</b>	<b>2,021,789</b>	<b>1,992,129</b>
<b>Expenses</b>		
Operating, per schedule	752,209	625,449
Property, per schedule	375,321	311,545
Amortization	214,786	221,787
Harmonized sales tax	113,877	80,542
Mortgage interest	109,447	112,531
Interest on tenants' deposits	1,704	53
<b>Total Expenses</b>	<b>1,567,344</b>	<b>1,351,907</b>
<b>Excess of Revenues Over Expenditures Before Direct Subsidies</b>	<b>454,445</b>	<b>640,222</b>
Direct subsidies	(305,421)	(299,583)
<b>Excess of Revenues Over Expenditures</b>	<b>149,024</b>	<b>340,639</b>

**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

Year ended December 31, 2018

<b>Schedule of Expenditures</b>	2018	2017
<b>Property</b>		
Maintenance	\$ 266,252	\$ 204,554
Utilities	108,338	105,918
Travel	731	1,073
	<u>375,321</u>	<u>311,545</u>
<b>Operating</b>		
Municipal taxes	422,359	320,402
Management fees, Note 8	244,465	235,993
Insurance	39,751	31,922
Bad debts	14,169	6,798
Office and general	9,330	10,381
Professional fees	22,135	19,953
	<u>752,209</u>	<u>625,449</u>

Revised Draft - April 29, 2019

**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

Year ended December 31, 2018

<b>Statement of Cash Flows</b>	2018	2017
<b>Operating Activities</b>		
Excess of revenues over expenditures	\$ 149,024	\$ 340,639
Items not involving cash		
Amortization	214,786	221,787
Changes in non-cash working capital balances	438,819	391,254
<b>Cash Provided By Operating Activities</b>	<b>802,629</b>	<b>953,680</b>
<b>Investing Activities</b>		
Investments	15,007	(569,896)
Principal repaid on loan from VPCI	102,491	99,502
Purchase of capital assets	(1,054,327)	(130,707)
<b>Cash Used In Investing Activities</b>	<b>(936,829)</b>	<b>(601,101)</b>
<b>Financing Activities</b>		
Principal repaid on mortgages	(117,342)	(113,873)
Tenants' security deposits	4,833	1,057
<b>Cash Used In Financing Activities</b>	<b>(112,509)</b>	<b>(112,816)</b>
Net cash increase (decrease) during the year	(246,709)	239,763
Cash position beginning of year	941,617	701,854
<b>Cash Position End of Year</b>	<b>694,908</b>	<b>941,617</b>

**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

December 31, 2018

**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.

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

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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.

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.**

(a corporation without share capital)

December 31, 2018

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**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, 2018:

**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**

	2018		2017
Social housing short-term bond funds	\$ 114,128	\$	112,889
Social housing bond funds	217,993		216,570
Social housing equity funds	222,768		240,437
	<u>554,889</u>		<u>569,896</u>

**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

December 31, 2018

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

	2018	2017
\$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.	\$ 2,267,256	\$ 2,340,551
\$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.	912,675	941,871
	<u>3,179,931</u>	<u>3,282,422</u>
Less: current portion	105,570	102,491
	<u>3,074,361</u>	<u>3,179,931</u>

**Note 5 Capital Assets**

	2018		2017	
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Land and buildings	\$ 3,420,193	\$ (749,431)	\$ 2,670,762	\$ 1,834,773
Appliances	54,674	(24,268)	30,406	26,272
Equipment	4,433	(3,561)	872	1,454
	<u>3,479,300</u>	<u>(777,260)</u>	<u>2,702,040</u>	<u>1,862,499</u>

**Note 6 Mortgages Payable**

	2018	2017
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.	\$ 1,347,363	\$ 1,391,715
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.	2,281,688	2,354,678
	<u>3,629,051</u>	<u>3,746,393</u>
Less: current portion	120,768	117,242
	<u>3,508,283</u>	<u>3,629,151</u>

**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

December 31, 2018

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**Note 6 Mortgages Payable - continued**

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

2019	\$	120,768
2020		124,400
2021		128,141
2022		131,995
2023		135,965

**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 \$244,465 (2017 - \$235,993). 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 \$95,872 (2017 - \$98,861).



**Victoria Park Affordable Housing Corp.**

(a corporation without share capital)

*December 31, 2018*

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**Note 9**            **Commitments**

The Corporation has entered into several commitments with various suppliers and contractors for capital work for a total estimated amount of \$618,037. \$96,623 related to these projects has been recorded in these financial statements.

**Note 10**           **Contingency**

There is a claim against the Corporation for damages relating to a fall. The insurance company is handling the claim and management believes the claim is without merit. The outcome is unknown, no amount has been accrued in these financial statements and it is not possible at this point to estimate the amount of any eventual loss.

Revised Draft - April 29, 2019

Victoria Park Affordable Housing Corp.

10. 1. 25

Year End: December 31, 2018

Client's adjusting entries

Date: 01/01/2018 To 31/12/2018

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
AJE01	31/12/2018	ACCOUNTS PAYABLE	2100-110				5,717.31		
AJE01	31/12/2018	WATER AND SEWER	6700-100			5,717.31			
To adjust utility accruals									
AJE02	31/12/2018	Development Fund	2500-120	TT2			62,557.81		
AJE02	31/12/2018	Development Fund	2500-120	TT2				20.01	
AJE02	31/12/2018	SURPLUS / DEFICIT	2900-100	TT2		62,557.81			
AJE02	31/12/2018	SURPLUS / DEFICIT	2900-100	TT2			20.01		
To adjust 2017 balance									
AJE03	31/12/2018	Development Fund	2500-120	TT2			87,422.18		
AJE03	31/12/2018	SURPLUS / DEFICIT	2900-100	TT2		87,422.18			
To allocate surplus to development									
						<b>155,717.31</b>	<b>155,717.31</b>		
<b>Net Income (Loss)</b>			<b>149,027.56</b>						

Revised Draft - April 29, 2019

Victoria Park Affordable Housing Corp.

10. 1. 26

Year End: December 31, 2018

Client's reclassifying journal entries

Date: 01/01/2018 To 31/12/2018

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg	Recurrence	Misstatement	
Net Income (Loss) Before Adjustments							149,027.56				
RJE01	31/12/2018	Reclass - current portion of loan to	115.400.PYC	B4	105,569.70						
RJE01	31/12/2018	Reclass Mgmt Company payable	115.600.PYC	B4		105,569.70					
		To reclass current portion of intercompany loan receivable			105,569.70	105,569.70	149,027.56	0.00	Recurring		
RJE02	31/12/2018	To reclass current portion of the mo	225.PYC	KK1		120,768.00					
RJE02	31/12/2018	To reclass current portion of mortg	231.PYC	KK1	120,768.00						
		To reclass current portion of mortgages payable			120,768.00	120,768.00	149,027.56	0.00	Recurring		
RJE03	31/12/2018	Reclass outstanding deposit	111.200.PYC	A1		71,744.10					
RJE03	31/12/2018	Reclass outstanding deposit	115.500.PYC	A1	71,744.10						
		To reclass outstanding deposits deposited in Victoria Park Inc bank account for Affordable			71,744.10	71,744.10	149,027.56	0.00	Recurring		
RJE04	31/12/2018	Reclass outstanding cheques	215.500.PYC	A1		21,282.99					
RJE04	31/12/2018	Reclass outstanding cheques	111.200.2.PYC	A1	21,282.99						
		To reclass outstanding cheques that did not clear in January 2019 from 2018			21,282.99	21,282.99	149,027.56	0.00	Recurring		
RJE05	31/12/2018	Reclass PHN Bond	113.600.BND.PYC	A3	217,993.29						
RJE05	31/12/2018	Reclass PHN Equity	113.600.EQT.PYC	A3	222,767.53						
RJE05	31/12/2018	Reclass PHN funds	113.600.PHN.PYC	A3		554,888.84					
RJE05	31/12/2018	Reclass PHN ST Bond	113.600.STB.PYC	A3	114,128.02						
		To reclass Encasa investments			554,888.84	554,888.84	149,027.56	0.00	Recurring		
							<b>874,253.63</b>	<b>874,253.63</b>	<b>149,027.56</b>	<b>0.00</b>	