

Financial Statements

Victoria Park Community Homes Inc.

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 - 26

Revised Draft - April 29, 2019

Independent Auditors' Report

**To the Members of Victoria Park Community Homes Inc. and
to other Specified Users as described in Note 1 of the Financial Statements:**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Victoria Park Community Homes Inc., 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 Community Homes Inc. as at December 31, 2018, and the results of its operations and cash flows for the year then ended in accordance with the financial reporting requirements of the Housing Services Act (HSA).

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 Community Homes Inc. 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.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution

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. to meet the financial reporting requirements of the HSA. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for members of Victoria Park Community Homes Inc. and other Specified Users as described in Note 1 of the Financial Statements and should not be distributed to parties other than the members of Victoria Park Community Homes Inc. and other Specified Users as described in Note 1 of the Financial Statements. Our opinion is not modified in respect of this matter.

Other Matter

On January 1, 2018, the Corporation amalgamated with Kitchener Alliance Community Homes Inc. (KACHI). The amalgamated corporation then continued as Victoria Park Community Homes Inc. To reflect meaningful comparative figures in the statement of operations and the statement of cash flows for the period from January 1, 2017 to December 31, 2017, unaudited results for KACHI were added to Victoria Park Community Homes Inc. audited figures. This was necessary as KACHI changed its year end in 2017 from May to December and did not have audited figures available for this twelve month period. Audited figures were available for the statement of financial position at December 31, 2017.

Independent Auditors' Report - continued

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 the financial reporting requirements of the Housing Services Act, 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 Community Homes Inc.'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 Community Homes Inc.'s financial reporting process.

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 Community Homes Inc.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditors' Report - continued

- 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 Community Homes Inc.'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.

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

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2018

Statement of Financial Position

	2018	2017
		Note 21
Current Assets		
Cash	\$ 2,469,015	\$ 2,885,247
Receivables, Note 4	3,316,584	1,731,032
Prepaid expenses	573,354	689,838
Total Current	6,358,953	5,306,117
Investments , Note 5	11,331,595	12,746,044
Capital Assets , Note 6	47,186,728	47,573,268
	64,877,276	65,625,429

Approved by The Board

Director

Director

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2018

Statement of Financial Position	2018	2017
		Note 21
Current Liabilities		
Accounts payable and accrued liabilities, Note 7	\$ 3,566,866	\$ 2,618,032
Accrued mortgage interest	225,622	226,739
Prepaid rents	379,835	241,110
Deferred revenue	297,981	299,507
Current portion of loan payable to VPAHC, Note 10	105,570	102,491
Total Current	4,575,874	3,487,879
Tenants' Security Deposits	1,019,722	984,437
Mortgages Payable , Note 9	46,652,811	51,279,253
Due to Regional Municipality of Waterloo , Note 11	236,345	236,345
Deferred Contributions Related to Capital Assets , Note 13	3,544,774	1,401,400
Loan Payable To VPAHC , Note 10	3,074,361	3,179,931
Bank loan , Note 8	168,063	173,682
Contingent Liabilities , Note 14		
Total Liabilities	59,271,950	60,742,927
Net Assets , per statement		
<i>Externally restricted</i>		
Replacement reserve fund, Notes 15 and 16	2,748,232	2,744,698
Subsidy surplus reserve fund, Note 15(b)	0	0
<i>Internally restricted</i>		
Insurance reserve fund, Notes 15(c)	150,000	150,000
Future project development fund, Notes 15(d)	1,329,737	1,214,680
Contributed surplus	352,611	352,611
Unrestricted	1,024,746	420,513
	5,605,326	4,882,502
	64,877,276	65,625,429

The notes on pages 12 through 26 form an integral part of these financial statements.

Victoria Park Community Homes Inc.

(a corporation without share capital)

Year ended December 31, 2018

Statement of Changes in Net Assets

	Externally Restricted		Internally Restricted			Contributed Surplus	Unrestricted	2018 Total	2017 Total
	Replacement Reserve Fund	Subsidy Surplus Fund	Insurance Reserve Fund	Future Project Development Fund					
	Note 16	Note 15(b)			Note 21				
Balance beginning	\$ 2,744,698	\$ 0	\$ 150,000	\$ 1,214,680	\$ 352,611	\$ 420,513	\$ 4,882,502	\$ 2,320,770	
Add (deduct)									
Excess of revenues over expenditures	0	0	0	0	0	1,173,961	1,173,961	2,290,327	
Reserve funding	761,223	0	0	0	0	0	761,223	780,380	
Reserve investment income, Note 5	100,630	0	0	0	0	0	100,630	35,203	
Interfund transfers, contributions, Notes 15(a) and (b)	454,671	0	0	178,933	0	(633,604)	0	0	
Interfund transfers, funds used, Notes 15(a) and (b)	0	0	0	(63,876)	0	63,876	0	0	
Solar revenue	21,923	0	0	0	0	0	21,923	34,169	
Capital funding	1,139,011	0	0	0	0	0	1,139,011	1,761,094	
Reserve expenditures, Note 16	(2,473,924)	0	0	0	0	0	(2,473,924)	(2,339,441)	
Balance December 31	2,748,232	0	150,000	1,329,737	352,611	1,024,746	5,605,326	4,882,502	

Victoria Park Community Homes Inc.

(a corporation without share capital)

Year ended December 31, 2018

Statement of Operations	2018	2017
		Note 1
Revenues		
Rents	\$ 16,827,652	\$ 16,422,439
Operating subsidy and provincial rent supplement	7,973,180	8,121,150
Commercial rental income	41,554	41,507
Vacancy losses	(214,642)	(244,954)
Amortization of deferred contributions, Note 13	46,200	46,200
Total Revenues	24,673,944	24,386,342
Expenses		
Mortgage interest	1,701,124	1,224,264
Less: federal interest reduction grant	(25,020)	(312,894)
	1,676,104	911,370
Harmonized sales tax	325,610	202,719
Property, per schedule	8,243,310	7,565,948
Operating, per schedule	7,532,156	7,230,534
Interest on tenants' deposits, net	8,117	(2,521)
Amortization	4,846,779	5,367,649
Replacement reserve allocation	761,223	780,380
Total Expenses	23,393,299	22,056,079
Excess of Revenues Over Expenditures Before Direct Subsidies	1,280,645	2,330,263
Direct subsidies	(48,282)	(49,371)
Excess of Revenues Over Expenditures Before Other	1,232,363	2,280,892
Other		
Prior year subsidy adjustments	0	9,435
Development costs write-off	(58,402)	0
Excess of Revenues Over Expenditures	1,173,961	2,290,327

Victoria Park Community Homes Inc.

(a corporation without share capital)

Year ended December 31, 2018

Schedule of Expenditures	2018	2017
		Note 21
Property		
Resident managers	\$ 1,211,724	\$ 1,080,371
Quarters allowance	325,094	333,076
Salary administration fee	117,685	97,083
Security	154,470	139,918
Cleaning and supplies	281,941	241,220
Maintenance	3,110,215	2,704,285
Utilities	3,042,181	2,969,995
	8,243,310	7,565,948
Operating		
Bad debts	128,616	238,352
Insurance	540,699	405,954
Management fees	1,630,215	1,546,143
Office and general	168,695	160,852
Eviction and recovery administration	115,651	210,701
Professional fees	261,979	189,850
Municipal taxes	4,665,678	4,454,437
ONPHA fees	20,623	24,245
	7,532,156	7,230,534

Victoria Park Community Homes Inc.

(a corporation without share capital)

Year ended December 31, 2018

Statement of Cash Flows	2018	2017
		<u>Note 21</u>
Operating Activities		
Excess of revenues over expenditures	\$ 1,173,961	\$ 2,290,327
Items not involving cash		
Amortization	4,846,779	5,367,649
Amortization of deferred contributions	(46,200)	(46,200)
Reserve allocations	761,223	780,380
Development costs write-off	58,402	0
Changes in non-cash working capital balances	710,141	(560,033)
<i>Cash Provided By Operating Activities</i>	<u>7,504,306</u>	<u>7,832,123</u>
Investing and Financing Activities		
Investments	1,414,449	(10,030,403)
Expenditure on capital assets	(4,518,643)	(353,732)
Tenants' security deposits	35,285	28,165
Bank loan advances (repayment)	(5,619)	(5,543)
Principal paid on VPAHC loan	(102,491)	(99,502)
Principal repaid on mortgages	(4,626,442)	(4,974,860)
Mortgage advances	0	10,641,990
<i>Cash Used In Investing and Financing Activities</i>	<u>(7,803,461)</u>	<u>(4,793,885)</u>
Reserve Fund Activities		
Investment income on reserve funds	100,630	35,203
Reserve fund expenditures	(2,473,924)	(2,339,441)
Solar revenue	21,923	34,169
Capital funding	1,270,775	1,205,259
Deferred contributions related to capital assets	963,519	0
<i>Cash Used In Reserve Fund Activities</i>	<u>(117,077)</u>	<u>(1,064,810)</u>
Net cash increase (decrease) during the year	(416,232)	1,973,428
Cash position beginning of year	2,885,247	911,819
<i>Cash Position End of Year</i>	<u>2,469,015</u>	<u>2,885,247</u>

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2018

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; specifically for properties funded by the Regional Municipality of Waterloo, in determining principal repaid an accrual must be made for the amount of principal to be repaid on the first day following the Corporation's year-end;

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2018

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, 2018

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:

Building renovations - 101 Tuerr Drive and 39 Paulander Drive	20 years
Capital repairs	5, 10 and 20 years
Rental unit - 154 Bronte Street	8 years
Rental property - 1021 Queenston Road	40 years
Appliances, equipment and truck	5 years
Development costs	under development

Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets are amortized on the same basis as the capital expenses related to the acquired capital assets are amortized.

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.

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2018

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, 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 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, 2018

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

	2018	2017
Service Managers		
City of Hamilton	\$ 56,909	\$ 64,406
Regional Municipality of Halton	5,847	44,760
City of Brantford	33,758	42,383
	<u>96,514</u>	<u>151,549</u>
Due from VPAHC	130,575	0
Harmonized sales tax	765,448	486,954
Rents (net of allowance 2018 \$104,980, 2017 \$146,073)	182,894	239,333
Capital funding	1,825,855	731,564
Other	315,298	121,632
	<u>3,316,584</u>	<u>1,731,032</u>

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2018

Note 5

Investments

	2018	2017
Worldsource Financial Management - Social Housing Investment Fund		
Short term bond fund	\$ 5,164,969	\$ 5,921,338
Bond fund	4,731,724	5,101,132
Equity fund	989,617	1,293,613
RBC Dominion Securities - various interest bearing investments with varying rates of interest from 2.05% to 3.43%, maturing from February 11, 2019 to November 21, 2023	351,769	339,212
Savings accounts	9,492	10,675
Brokers' cash account	9	4,750
Cash in trust	84,015	75,324
	<u>11,331,595</u>	<u>12,746,044</u>
Investment income is allocated as follows:		
Reserves	100,630	35,203
Operations	13,912	8,153
	<u>114,542</u>	<u>43,356</u>

Note 6

Capital Assets

	2018		2017	
	Accumulated Cost	Net Amortization	Net Carrying Amount	Net Carrying Amount
Land, buildings and chattels, accounted for using Service Manager prescribed accounting policies	\$ 92,691,337	\$(61,669,726)	\$ 31,021,611	\$ 35,245,733
Land and buildings - unrestricted use	25,151,188	(25,130,100)	21,088	29,876
Building renovations - 101 Tuerr Drive and 39 Paulander Drive	693,523	(66,973)	626,550	649,050
Capital repairs	11,481,943	(1,540,941)	9,941,002	6,063,263
Land	737,632	0	737,632	737,632
Rental unit	57,143	(57,143)	0	0
Rental property	5,416,278	(878,084)	4,538,194	4,629,013
Appliances	180,529	(87,309)	93,220	73,428
Equipment	67,052	(49,503)	17,549	20,139
Truck	41,417	(33,417)	8,000	12,296
Development costs	181,882	0	181,882	112,838
	<u>136,699,924</u>	<u>(89,513,196)</u>	<u>47,186,728</u>	<u>47,573,268</u>

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2018

Note 7 Accounts Payable and Accrued Liabilities

	2018	2017
Accounts payable	\$ 1,372,812	\$ 675,927
Operating subsidy payable	780,106	664,871
Rent supplement payable	0	120,150
Other payables and accrued liabilities	844,446	798,660
Due to VPAHC, Note 17	0	31,228
Due to VPCHMP, Note 17	569,502	327,196
	<u>3,566,866</u>	<u>2,618,032</u>

Note 8 Bank Loan

The Corporation has an outstanding loan from the Royal Bank of Canada in the amount of \$168,063 (2017 - \$173,682). The loan renewed on October 15, 2017. Monthly blended payments of principal and interest are \$1,085 (2017 - \$1,085) with interest at 4.29% (2017 - 4.15%) per annum. The loan matures October 15, 2022.

Note 9 Mortgages Payable

	2018	2017
There are 30 mortgages, secured by rental properties, insured by either CMHC or Ministry of Municipal Affairs and Housing (MMAH) with interest rates from 0.96% to 6.49%, maturing from July 1, 2019 to October 1, 2028. The aggregate monthly payment, including interest, is \$520,139.	\$ 46,652,811	\$ 51,279,253

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:

2019	\$ 4,432,746
2020	3,993,815
2021	3,695,351
2022	3,631,816
2023	2,282,806

During the year, there were no new mortgages and 5 mortgages were transferred through the amalgamation with Kitchener Alliance Community Homes Inc. There were 5 mortgage renewals with interest rates between 2.59% and 2.96% for five year terms. There were no mortgages that were discharged.

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2018

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

	2018	2017
\$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. \$	2,281,689	\$ 2,354,678
\$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.	898,242	927,744
	3,179,931	3,282,422
Less: current portion	105,570	102,491
	3,074,361	3,179,931

Note 11 Due to the Regional Municipality of Waterloo

	2018	2017
Due to the Regional Municipality of Waterloo - Paulander Drive \$	236,345	\$ 236,345

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

Note 12 Capital Funding

The Corporation entered into four (4) Social Housing Improvement Program (SHIP) agreements with the City of Hamilton for one-time grants for a total approved amount of \$1,646,500. Funds from the program were only spent on projects approved by the City of Hamilton. As of year-end, \$1,046,700 has been received and \$599,800 is recorded as a receivable.

The Corporation entered into two (2) Social Housing Apartment Improvement Program (SHAIP) agreements with the City of Hamilton for one-time grants for a total approved amount of \$4,086,850. Funds from the program can only spent on projects approved by the City of Hamilton. As of year-end, \$817,370 has been received and \$1,226,055 is recorded as a receivable. Funding for these projects is recorded as deferred contributions related to capital assets.

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2018

Note 12 Capital Funding - continued

The Corporation entered into four (4) Municipal Capital Grant Program agreements with the City of Hamilton for one-time grants for a total approved amount of \$26,000. At year end all work has been completed and funding has been recorded.

The Corporation entered into a Mayor's Poverty Fund agreement with the City of Hamilton for one-time grants for a total approved amount of \$250,000. Funds from the program can only be spent on projects approved by the City of Hamilton. Funding will be provided at substantial completion of the project.

Note 13 Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets include the unamortized portions of the restricted contributions relating to capital repairs and the development of a rental property. The contributions are repayable to the funder should the Corporation be in default under the terms of the respective agreements.

The changes in deferred contributions are as follows:

	2018	2017
Opening balance	\$ 1,401,400	\$ 1,447,600
City of Hamilton - SHAIP, Notes 12 and 14(f)	2,043,425	0
City of Hamilton - capital funding	120,149	0
City of Hamilton - Municipal Capital Grant, Note 12	26,000	0
Recognized into income	(46,200)	(46,200)
Ending balance	<u>3,544,774</u>	<u>1,401,400</u>

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.

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2018

Note 14

Contingent Liabilities - continued

(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 - Capital Funding 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.

The Corporation entered into 9 (nine) agreements with the Regional Municipality of Waterloo, whereby the Corporation was approved for one-time grants of up to \$884,543 under the Social Housing Energy Efficiency Program (SHEEP), Social Housing Innovation Program (SHIP) and Community Housing Investment Fund (CHIF) to carry out capital repairs. These grants have been recorded in the statement of replacement reserve in 2017. The Corporation agrees to continue to operate as an affordable housing project for twenty (20) years from the date of completion of the approved eligible work. 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.

Note 14

Contingent Liabilities - continued

(d) The Regional Municipality of Halton - Capital Funding 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.

The Corporation entered into two (2) SHIP agreements with the Regional Municipality of Halton for one-time grants for a total approved amount of \$83,900. These grants have been recorded in the statement of replacement reserve in 2017 and 2018. The Corporation agrees to continue to operate as an affordable housing project for ten (10) years from the date of completion of the approved eligible work. 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 Brantford - Capital Funding Agreements

The Corporation was approved for four (4) SHIP grants from the City of Brantford for a total of up to \$457,397. These grants have been recorded in the statement of replacement reserve in 2017. The Corporation agrees to continue to operate as an affordable housing project for ten (10) years from the date of completion of the approved eligible work. Failure to comply with the rules set out in the agreements may result in the entire funding amount becoming due and payable to the City of Brantford, unless remedied within a reasonable period of time.

(f) The City of Hamilton - Capital funding 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.

The Corporation signed four (4) agreements with the City of Hamilton to receive SHIP grants of \$1,646,500 dated December 2, 2016. These grants have been recorded in the statement of replacement reserve in 2017 and 2018. The Corporation agrees to continue to remain affordable for a minimum of 10 years, including operate as hosing project for a minimum of 5 years, from the date of the agreements. Failure to comply with the rules set out in the agreements and provisions of the SHIP program guidelines may result in the entire funding amount becoming due and payable to the City of Hamilton.

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2018

Note 14 Contingent Liabilities - continued

The Corporation has entered into two (2) Social Housing Apartment Improvement Program SHAIIP agreements with the City of Hamilton for one-time grants for a total approved amount of \$4,086,850. Funding for these projects is recorded as deferred contributions related to capital assets. The Corporation agrees to continue to remain affordable for a minimum of 10 years, including operate as housing project for a minimum of 5 years, from October 1, 2018. Failure to comply with the rules set out in the agreements and provisions of the SHAIIP program guidelines may result in the entire funding amount becoming due and payable to the City of Hamilton.

(g) Guarantees

At December 31, 2018, 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, 2018 was \$3,179,931. These loans are also secured by first mortgage charges on land and building owned by VPAHC.

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 \$20,000 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.

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2018

Note 16 Replacement Reserve Fund

	Federal			2018	2017
	AHP	Portfolio	HSA		
Balance, beginning of year	\$ 63,796	\$ 608,912	\$ 2,071,990	\$ 2,744,698	\$ 2,046,911
Reserve funding	8,532	13,200	739,491	761,223	780,380
Investment income	159	12,275	88,196	100,630	35,203
Interfund transfer	7,337	0	447,334	454,671	426,382
Solar revenue	0	0	21,923	21,923	34,169
Capital funding	0	10,000	1,129,011	1,139,011	1,761,094
	79,824	644,387	4,497,945	5,222,156	5,084,139
Capital expenditures (reversal)	(4,191)	59,511	2,418,604	2,473,924	2,339,441
	84,015	584,876	2,079,341	2,748,232	2,744,698

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.

The Corporation entered into a contract with VPCHMP to manage and develop projects and 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 2018). The contract is in effect from January 1, 2017 to December 31, 2019. The Corporation has also entered into a contract with VPCHMP, whereby VPCHMP rents office space from the Corporation. Payable to (receivable from) VPCHMP at year end is \$569,502 (2017 - \$327,196).

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2018

Note 17 Related Corporations - continued

Transactions with VPCHMP are recorded at exchange value and are as follows:

	2018	2017
Expenses:		
Management fees	\$ 1,630,215	\$ 1,533,079
Maintenance fees	464,698	441,235
Laundry fees	16,909	12,971
Development fees	12,900	18,750
Rent supplement administration fees	3,384	3,645
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 \$95,872 (2017 - \$98,861).

VPCHMP and VPAHC financial statements at December 31, 2018 are summarized as follows:

	VPCHMP	VPAHC
Statement of Financial Position		
Total assets	\$ 997,640	\$ 7,178,909
Total liabilities	156,278	4,292,708
Net assets	841,362	2,886,201
	997,640	7,178,909
Statement of Operations		
Revenues	3,055,030	1,716,368
Expenses	2,850,941	1,567,344
	204,089	149,024
Cash Flows		
Operating activities	(16,765)	802,629
Financing and investing activities	43,014	(1,049,338)
Change in cash	26,249	(246,709)

Victoria Park Community Homes Inc.

(a corporation without share capital)

December 31, 2018

Note 18 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 year is \$28,322 (2017, \$37,221).

Note 19 Commitments

The Corporation has entered into several commitments with various suppliers and contractors for capital repairs and replacement reserve work for a total estimated amount of \$8,794,638 plus HST. Only \$1,762,678 plus HST related to these projects has been recorded in these financial statements.

Note 20 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.

Note 21 Amalgamation

On January 1, 2018, the Corporation amalgamated with Kitchener Alliance Community Homes Inc. (KACHI). The amalgamated corporation then continued as Victoria Park Community Homes Inc. To reflect meaningful comparative figures in the statement of operations and the statement of cash flows for the period from January 1, 2017 to December 31, 2017, unaudited results for KACHI were added to Victoria Park Community Homes Inc. audited figures. This was necessary as KACHI changed its year end in 2017 from May to December and did not have audited figures available for this twelve month period. Audited figures were available for the statement of financial position at December 31, 2017.

Note 22 Subsequent Events

Capital funding

Subsequent to year end, the Corporation has been approved for a number of grants and forgivable loans for a total of \$3,200,787 for the development of a housing project in Milton. In addition, the Corporation has been approved for a loan of up to \$3,520,00. No amounts have been recorded in these financial statements.

Commitments

Subsequent to year end, the Corporation entered into a number of commitments with contractors for a number of projects for a total \$925,819. No amounts have been recorded in these financial statements related to these projects.