Financial Statements

ANPHI Affordable Homes Inc.

December 31, 2024

ANPHI Affordable Homes Inc.

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Independent auditor's report

April 28, 2025

To the directors of **ANPHI Affordable Homes Inc.:**

Opinion
We have audited the accompanying financial statements of **ANPHI Affordable Homes Inc.** (the "Organization"), which comprise the statement of financial position as at December 31, 2024 and the statements of operations and changes in net assets 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2024 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization 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.

Other matter
The financial statements for the year ended December 31, 2023 are unaudited.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibility for the Audit of 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 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 judgement 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 the Organization'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 audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Organization 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.

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Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario

ANPHI Affordable Homes Inc.

Statement of Financial Position

December 31	**2024** **$**	2023 $
ASSETS		
Current		
Cash	**163,473**	
Accounts receivable	**96,284**	
Capital reserve investment funds [note 3]	**114,199**	
Due from related party [note 4]	**50,000**	
	423,956	
Capital assets [note 5]	**10,998,456**	
	11,422,412	NIL
LIABILITIES		
Current		
Accounts payable and accrued liabilities [note 6]	**270,901**	
Tenant deposits and rent received in advance	**140,799**	
Current portion of long-term debt [note 7]	**926,565**	
	1,338,265	
Long-term debt [note 7]	**5,680,058**	
Deferred capital contributions [note 8]	**4,527,465**	
	11,545,788	
NET ASSETS (DEFICIENCY)		
General Fund - unrestricted	**(274,953)**	
Capital reserve funds [note 9]	**151,577**	
	(123,376)	
	11,422,412	NIL

see accompanying notes

On behalf of the Board:

Director ______________ Director ______________

ANPHI Affordable Homes Inc.

Statement of Operations and Changes in Net Assets

	Year ended December 31, 2024 $	Period from December 8, 2023 to December 31, 2023 $
Revenue		
Rental income	**1,617,463**	
Amortization of deferred capital contributions [note 5]	**100,044**	
Investment income and other	**123,092**	
	1,840,599	NIL
Expenses		
Capital reserve contributions	**117,121**	
Property expenses	**1,031,423**	
Mortgage interest [note 7]	**250,014**	
Administration and contract fees	**358,575**	
Amortization	**244,423**	
	2,001,556	NIL
Deficiency of revenue over expenses	**(160,957)**	
General Fund - unrestricted, beginning of period	**NIL**	NIL
Assumption of deficit from Toronto Artscape Inc. [note 4]	**(113,996)**	
General Fund - unrestricted, end of period	**(274,953)**	NIL

see accompanying notes

ANPHI Affordable Homes Inc.

Statement of Cash Flows

	Year ended December 31, 2024 $	Period from December 8, 2023 to December 31, 2023 $
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the year	(160,957)	
Items not requiring an outlay of cash -		
Amortization of capital assets	244,423	
Amortization of deferred capital contributions	(100,044)	
	(16,578)	
Changes in non-cash working capital items -		
(Increase) decrease in accounts receivables	120,432	
Increase (decrease) in accounts payable and accrued liabilities	270,901	
Increase (decrease) in tenant deposits and rent received in advance	637	
Increase (decrease) in due to related party	(50,000)	
	325,392	
FINANCING ACTIVITIES		
Payments on long-term debt	(199,660)	
INVESTING ACTIVITIES		
Cash received from asset transfer agreement	364	
Purchase of capital reserve investment funds, net of purchases	37,377	
Net change in cash during the period	163,473	
Cash, beginning of period	NIL	NIL
Cash, end of period	163,473	NIL

The acquisition of certain assets and liabilities from Toronto Artscape Inc. [note 4] are non-cash transactions.

see accompanying notes

December 31, 2024

1. NATURE OF OPERATIONS

ANPHI Affordable Homes Inc. (the "Organization") was incorporated on December 8, 2023 as a not-for-profit corporation without share capital under the Not-for-Profit Corporations Act, 2010 (Ontario). The Organization was established to provide and operate affordable housing accommodations, with or without associated public spaces, recreational facilities, and commercial premises, primarily for low- and middle-income individuals..

The Organization is incorporated under the Not-for-Profit Corporations Act, 2010 (Ontario) as an organization without share capital and is registered as a not-for-profit organization under paragraph 149(1)(l) of the Income Tax Act and, as such, is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting
These are the Organization's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations. As the Organization had no financial activity in the prior year, there were no adjustments required on transition.

Fund accounting
General Fund - unrestricted
The General Fund - unrestricted reflects the assets, liabilities, net assets, revenue and expenses not otherwise restricted.

Capital reserve fund
The Organization established a Capital Reserve Fund to finance capital asset purchases. The investments in the fund are to be maintained and accounted for separately from the Organization’s other cash and investments and the income earned on these investments, both realized and unrealized, is to be allocated to the fund.

Revenue recognition
The Organization follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

December 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments
The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and liabilities at amortized cost except for investments in fixed income that are quoted in an active market, which are measured at fair value.

Financial assets and liabilities measured at amortized cost include cash, accounts receivable, capital reserve investment funds, accounts payable and accrued liabilities and long-term debt.

The Organization has no other financial assets or liabilities measured at fair value.

Impairment
Financial assets measured at amortized cost are assessed for indicators of impairment. When there is indication of an impairment, the carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized in the statement of revenue and expense. A 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 the statement of revenue and expense.

Cash and cash equivalents
Cash and cash equivalents consist of unrestricted cash and short-term highly liquid investments with terms to maturity of less than three months.

Capital assets
Capital assets are recorded at cost. The Organization amortizes the cost of capital assets over their estimated useful lives as follows:

Buildings	straight-line over 50 years

When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset is written down to the asset's fair value or replacement cost. Any write-downs of capital assets are accounted for as an expense in the statement of operations. A write-down is not reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates
The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates utilized in preparing these financial statements are reasonable and prudent. The significant items subject to such estimates and assumptions include the valuation allowance for accounts receivable and estimated useful lives of capital assets. Actual results could differ from these estimates.

3. CAPITAL RESERVE INVESTMENT FUNDS

Capital reserve investment funds comprise the following:

	2024	2023
	$	$
Cash	**114,199**	NIL

4. RELATED PARTY TRANSACTIONS

Artscape Non-Profit Homes Inc. ("ANPHI")

ANPHI established the Organization on December 8th, 2023, with the objectives to provide and operate housing accommodation, with or without any public space, recreational facilities, and commercial space or building appropriate thereto, primarily for persons of low or modest income.

ANPHI is a founding member of the Organization and all directors for the Organization's Board are existing Board Members of ANPHI. Accordingly, ANPHI is considered to control the Organization.

Amounts receivable from or payable to the related parties are derived in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. As at December 31, 2024, the Organization had amounts receivable from ANPHI of $50,000.

4. RELATED PARTY TRANSACTIONS (continued)

Toronto Artscape Inc. ("Artscape")

Artscape is a non-for-profit corporation without share capital. ANPHI has the right to appoint one observer to the Board of Artscape. On January 11, 2024, Artscape formally entered receivership.

Effective January 3, 2024, as part of Artscape's receivership, the Organization entered into an asset transfer agreement to acquire the assets and assumed permitted liabilities relating to the following properties of Artscape:

- Artscape Weston Common (AWC),
- Artscape's Bayside Lofts (ABL), and
- Parkdale Arts and Cultural Centre (PACC).

The Organization entered into an agency agreement with Artscape from January 1, 2024 until the closing date. As an agent, the Organization would assume operations, including collect rents from tenants and pay from such monies operation expenes. The closing date of the asset transfer agreement was September 12, 2024.

The transferred assets included accounts receivable, reserve funds, head and tenant leases and capital assets. The assumed permitted liabilities included tenant deposits and rent received in advance, long-term debt and deferred capital contributions.

The assets and liabilities were recorded at the exchange amount and are as follows:

• Cash	364
• Accounts receivable	216,716
• Capital reserve investment fund	66,833
• Capital assets	11,242,879
• Tenant deposits and rent received in advance	(140,162)
• Long-term debt	(6,806,283)
• Deferred capital contribution	(4,627,510)
• Internally restricted capital reserve fund	(66,833)
Assumption of deficit from Toronto Artscape Inc.	(113,996)

4. RELATED PARTY TRANSACTIONS (continued)

The Organization assumed an agreement made on June 14, 2020 where Artscape entered into a 50-year affordable housing agreement with the City of Toronto to manage a total of 80 affordable housing rental units at 30 Merchants Wharf at an annual cost of $10. The rental of the units is subject to a number of requirements including:

- Units are required to be rented to persons whose household incomes do not exceed set amounts and at monthly rental rates below the market average rates;
- On an aggregate basis, the rental income from these units cannot exceed 80% of the average market rents for that year; and
- Artscape is required to establish a reserve fund at the rate of 2% of the monthly gross income for 40 years.

As part of the lease agreement, Artscape was assigned and assumed the obligation of the original contribution agreement related to this project. After the assumed agreement, the Organization is contingently liable for funding provided by the City to the project's developer of $19,000,000 which was provided to the project's developer in the form of a forgivable loan which will be relieved at a rate of 5% per annum assuming the conditions outlined above are met. The current contingent liability balance is $13,775,000. As the Organization has the resources and intent to meet the requirements of the contribution agreement, no amount has been accrued in these financial statements related to this contingency. If conditions arise that require repayment, an obligation would be recognized at that time.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	Net book value 2024	Net book value 2023
	$	$	$	$
Buildings				
Artscape Bayside Lofts	6,358,814	636,457	**5,722,357**	
Artscape Weston Common	5,862,333	586,234	**5,276,099**	
Parkdale Arts & Cultural Centre	612,270	612,270	**NIL**	
	12,833,417	1,834,961	**10,998,456**	NIL

6. GOVERNMENT REMITTANCES PAYABLE

The accounts payable and accrued liabilities balance includes government remittances payable totaling $11,591 (2023 - $NIL).

7. LONG-TERM DEBT

	2024 **$**	2023 $
31 King Street - Artscape Weston Common		
Vancity Community Investment Bank mortgage bearing interest at 6.06% with blended monthly principal and interest payments of $6,042, maturing November 20, 2025. The mortgage is secured by an assignment of rent charging the property and a general security agreement.	**833,228**	
30 Merchants' Wharf - Artscape Bayside Lofts		
Vancity Community Investment Bank mortgage bearing interest at 2.94% with blended monthly principal and interest payments of $21,731, maturing August 31, 2030. The mortgage is secured by an assignment of rent charging the property and a general security agreement.	**5,773,395**	
	6,606,623	
Less principal repayments due within one year included in current liabilities	**926,565**	
	5,680,058	NIL

Interest expense of $250,014 was paid during the year on the long-term debt.

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7. LONG-TERM DEBT (continued)

Principal payments due in each of the next five years and thereafter are as follows:

	$
2025	**926,565**
2026	**96,100**
2027	**98,946**
2028	**101,867**
2029	**104,894**
Thereafter	**5,278,251**
	6,606,623

8. DEFERRED CAPITAL CONTRIBUTIONS

The Organization assumed a grant totalling $5,025,206 for the construction of the buildings and is being amortized to income over 50 years on the same basis as the buildings.

	Transfer from Artscape [note 4] $	Recognized as revenue $	2024 $	2023 $
Artscape Weston Common	4,487,949	97,564	**4,390,385**	
Artscape Bayside Lofts	139,560	2,480	**137,080**	
	4,627,509	100,044	**4,527,465**	NIL

9. CAPITAL RESERVE FUNDS

30 Merchants' Wharf - Artscape Bayside Lofts

Vancity Community Investment Bank requires the Organization to maintain a reserve fund relating to the Artscape Bayside Lofts. The reserve fund is required to be maintained with the lender.

The capital reserve fund is funded monthly, calculated at 2% of the estimated monthly effective gross income for the applicable fiscal year.

9. CAPITAL RESERVE FUND (continued)

30 Merchants' Wharf - Artscape Bayside Lofts (continued)
Under the assumed contribution agreement with the City of Toronto [note 4], the Organization is required to establish and contribute to a replacement reserve fund each year for the property. This reserve fund can be held by the holder of the mortgage.

	2024 **$**	2023 $
Balance, beginning of year	**NIL**	
Transferred from Toronto Artscape Inc. [note 4]	**66,833**	
Portion allocated from annual revenue	**45,879**	
Income earned less purchases	**(20,447)**	
Balance, end of year	**92,265**	NIL

31 King - Artscape Weston Common
Under the contribution agreement with the City of Toronto [note 8], the Organization is required to establish a replacement reserve fund of 4% of gross revenue.

	2024 **$**	2023 $
Balance, beginning of year	**NIL**	NIL
Top-up of capital reserve fund	**50,000**	
Portion allocated from annual revenue	**12,745**	
Income earned less purchases	**(3,640)**	
Balance, end of year	**59,105**	NIL

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9. CAPITAL RESERVE FUND (continued)

1313 Queen - Parkdale Arts & Cultural Centre

The Organization also maintains an internally restricted capital reserve fund for this building.

	2024 **$**	2023 $
Balance, beginning of year		
Portion allocated from annual revenue	**8,498**	
Income earned less purchases	**(8,291)**	
Balance, end of year	**207**	NIL

10. FINANCIAL INSTRUMENT RISK EXPOSURE

The Organization is exposed to various risks through its financial instruments including credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's financial assets that are exposed to credit risk consist primarily of accounts receivable. Credit risk associated with accounts receivable is minimized due to the Organization's large and diverse client base. The Organization maintains allowances for potential credit losses and any such losses to date have been within management's expectations.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk primarily arising from its working capital deficiency. The Organization expects to meet these obligations as they come due by generating sufficient cash flows from operations.

10. FINANCIAL INSTRUMENT RISK EXPOSURE (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, other price risk and interest rate risk. The Organization is exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its capital reserve investment funds and its long-term debt. Changes in interest rates can create fluctuations in interest payments and cash flows. The Organization does not use derivative instruments to mitigate this risk.