

Financial Statements of

XEORIXS HOMES

Year ended March 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Xeorixs Homes

We have audited the accompanying financial statements of Xeorixs Homes, which comprise the statement of financial position as at March 31, 2018, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Page 2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Xeorixs Homes as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations adjusted to meet the financial reporting provisions of the Ministry of Community and Social Services Act.

Other Matter

Without modifying our opinion, we draw attention to note 1(a) to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Xeorixs Homes to meet the requirements of the Ministry of Community and Social Services Act. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for Xeorixs Homes and the Ministry of Community and Social Services and should not be used by parties other than Xeorixs Homes or the Ministry of Community and Social Services.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

June 25, 2018

XEORIXS HOMES

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 41,307	\$ 54,239
Accounts receivable	26,650	56,485
HST recoverable	10,633	6,180
	<u>78,590</u>	<u>116,904</u>
Replacement reserve funds (Schedule A):		
Replacement reserve funds	227,931	205,124
	<u>227,931</u>	<u>205,124</u>
Capital assets (note 2)	3,887,076	4,161,702
	<u>\$ 4,193,597</u>	<u>\$ 4,483,730</u>


Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 31,363	\$ 69,173
Payable to Ministry of Community and Social Services	18,187	19,867
Deferred revenue	16,660	15,484
Current portion of long-term debt (note 3)	284,287	368,565
	<u>350,497</u>	<u>473,089</u>
Long-term debt (note 3)	3,615,169	3,805,517
Net assets:		
Replacement reserve funds	227,931	205,124
	<u>\$ 4,193,597</u>	<u>\$ 4,483,730</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Members

 Members

XEORIXS HOMES

Statement of Operations and Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenues:		
Province of Ontario - Ministry of Community and Social Services	\$ 591,570	\$ 653,237
Rental income	213,112	209,388
Partner facility renewal	58,020	67,088
Non-shelter rental	20,350	17,006
	<u>883,052</u>	<u>946,719</u>
Expenditures:		
Amortization	274,626	264,799
Long-term debt interest	169,003	179,414
Utilities	136,041	161,702
Materials and supplies	133,266	157,519
Renovation	58,020	67,088
Municipal taxes and insurance	41,136	42,620
Administration overhead	38,694	41,186
Replacement reserve allowance (Schedule A)	21,127	21,127
Legal and audit	10,324	10,324
Interest and bank charges	815	940
	<u>883,052</u>	<u>946,719</u>
Excess of revenue over expenses	-	-
Net assets, beginning of year	-	-
Net assets, end of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

XEORIXS HOMES

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ -	\$ -
Item not involving cash:		
Amortization	274,626	264,799
Change in non-cash operating working capital (note 4)	(12,932)	(23,417)
	<u>261,694</u>	<u>241,382</u>
Financing:		
Repayment of long-term debt	(274,626)	(264,799)
Replacement reserve funds	22,807	21,127
	<u>(251,819)</u>	<u>(243,672)</u>
Investing:		
Replacement reserve funds	(22,807)	(21,127)
	<u>(12,932)</u>	<u>(23,417)</u>
Decrease in cash	(12,932)	(23,417)
Cash, beginning of year	54,239	77,656
Cash, end of year	<u>\$ 41,307</u>	<u>\$ 54,239</u>

See accompanying notes to financial statements.

XEORIXS HOMES

Notes to Financial Statements

Year ended March 31, 2018

Xeorixs Homes (the "Organization") was incorporated in Ontario on May 25, 1985 (amended November 2, 1994) by Letters Patent as a corporation without share capital. The Organization is exempt from income tax under Section 149(1)(i) of the Canadian Income Tax Act.

1. Significant accounting policies:

These financial statements are prepared in accordance with the Chartered Professional Accountants of Canada Handbook Part III - Canadian accounting standards for not-for-profit organizations with the exception of the requirements for reporting to the Ministry of Community and Social Services. The Organization's significant accounting policies are as follows:

(a) Ministry of Community and Social Services reporting:

The financial statements have been prepared using accounting principles that are prescribed by the Ministry of Community and Social Services ("MCSS"). These principles are consistent with those used in prior years. The basis of accounting used in these financial statements materially differs from Canadian accounting standards for not-for-profit organizations as follows:

- (i) Amortization of capital assets is equal to the annual principal payments against the respective mortgages for the capital assets.
- (ii) Contributions to the replacement reserve funds are included in the statement of changes in replacement reserve funds.
- (iii) Capital expenditures that are separately funded by MCSS are expensed to match the related funding recognized.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost.

XEORIXS HOMES

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(b) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of capital assets and provisions for impairment of trade accounts receivable. Actual results could differ from those estimates.

2. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 867,229	\$ -	\$ 867,229	\$ 867,229
Buildings and equipment	6,687,844	3,667,997	3,019,847	3,294,473
	<u>\$ 7,555,073</u>	<u>\$ 3,667,997</u>	<u>\$ 3,887,076</u>	<u>\$ 4,161,702</u>

XEORIXS HOMES

Notes to Financial Statements (continued)

Year ended March 31, 2018

3. Long-term debt:

	2018	2017
2.195% mortgage, repayable in monthly payments of \$1,449, including principal and interest, due on January 1, 2022, Lambton I & II	\$ 93,841	\$ 108,992
1.735% mortgage, repayable in monthly payments of \$1,499, including principal and interest, due on March 1, 2021, York II	131,715	147,283
2.112% mortgage, repayable in monthly payments of \$1,259, including principal and interest, due on December 1, 2017, Essex III	-	106,861
2.54% mortgage, repayable in monthly payments of \$1,277, including principal and interest, due on December 1, 2022, Essex III	93,939	-
1.735% mortgage, repayable in monthly payments of \$1,547, including principal and interest, due on March 1, 2021, Simcoe V	135,896	151,958
1.735% mortgage, repayable in monthly payments of \$1,312, including principal and interest, due on March 1, 2021, Simcoe VI	116,415	130,020
1.735% mortgage, repayable in monthly payments of \$2,068, including principal and interest, due on March 1, 2021, Toronto VIII	187,070	208,449
1.878% mortgage, repayable in monthly payments of \$1,335 including principal and interest, due on April 1, 2021, Ottawa VI	145,970	159,122
2.18% mortgage, repayable in monthly payments of \$2,112, including principal and interest, due on September 1, 2019, Hamilton II & IV	236,046	256,028
Carried forward	1,140,892	1,268,713

XEORIXS HOMES

Notes to Financial Statements (continued)

Year ended March 31, 2018

	2018	2017
Carried forward	1,140,892	1,268,713
2.04% mortgage, repayable in monthly payments of \$1,631, including principal and interest, due on April 1, 2022, Oxford II	223,403	238,269
5.755% mortgage, repayable in monthly payments of \$3,613, including principal and interest, due on May 1, 2024, Durham IX	402,655	422,495
5.755% mortgage, repayable in monthly payments of \$2,270, including principal and interest, due on May 1, 2024, Cobourg III	252,887	265,358
5.755% mortgage, repayable in monthly payments of \$2,683, including principal and interest, due on May 1, 2024, Peterborough VI	303,991	318,449
5.755% mortgage, repayable in monthly payments of \$2,802, including principal and interest, due on May 1, 2024, Peterborough VII	312,172	327,564
5.755% mortgage, repayable in monthly payments of \$2,572, including principal and interest, due on May 1, 2024, Central VII	289,955	303,895
5.755% mortgage, repayable in monthly payments of \$7,078, including principal and interest, due on May 1, 2024, Durham VII & VIII	799,056	837,358
1.79% mortgage, repayable in monthly payments of \$1,735, including principal and interest, due on May 1, 2020, Peterborough V	174,445	191,981
	3,899,456	4,174,082
Less current portion of long-term debt	284,287	368,565
	<u>\$ 3,615,169</u>	<u>\$ 3,805,517</u>

The above mortgages are secured by the respective land and building, chattel mortgages and an assignment of fire insurance.

The above balances are after application of the April 1, 2018 payment as per the Ministry of Community and Social Services direction.

XEORIXS HOMES

Notes to Financial Statements (continued)

Year ended March 31, 2018

Principal repayments required on long-term debt in each of the next five years and thereafter incorporating the subsequent refinancing of long-term debt is as follows:

2019	\$	284,287
2020		489,303
2021		768,087
2022		364,645
2023		312,757
Thereafter		1,680,377
	\$	3,899,456

4. Change in non-cash operating working capital:

	2018	2017
Decrease (increase) in accounts receivable	\$ 29,835	\$ (12,141)
Decrease in receivable from MCSS	-	35,223
Decrease (increase) in HST recoverable	(4,453)	718
Decrease in accounts payable and accrued liabilities	(37,810)	(67,084)
Increase (decrease) in payable to MCSS	(1,680)	19,867
Increase in deferred revenue	1,176	-
	\$ (12,932)	\$ (23,417)

5. Related party transactions:

Christian Horizons is an independent organization whose individuals it serves are tenants of the Organization's homes. Although Christian Horizons is a separate entity, which is funded by the MCSS, its Board of Directors also is the Board of Directors of the Organization. The Organization incurred management fees from Christian Horizons of \$24,840 (2017 - \$25,987). At March 31, 2018, there is \$11,697 (2017 - \$58,158) due to Christian Horizons from the Organization that is included in accounts payable and accrued liabilities.

XEORIXS HOMES

Notes to Financial Statements (continued)

Year ended March 31, 2018

6. Financial risks and concentration of risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization deals with creditworthy counterparties to mitigate the risk of financial loss from defaults.

(b) 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 this risk mainly in respect of its long-term debt.

(c) Interest rate risk:

The Organization is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed interest instruments subject the Organization to a fair value risk.

7. Economic dependence:

The Organization is economically dependent upon the MCSS.

XEORIXS HOMES

Schedule A - Statement of Changes in Replacement Reserve Funds

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Replacement reserve funds, beginning of year	\$ 205,124	\$ 183,997
Allocation to replacement reserve funds	21,127	21,127
Bank interest income, net of service charges	1,680	-
Replacement reserve funds, end of year	\$ 227,931	\$ 205,124