Financial Statements of

XEORIXS HOMES

And Independent Auditors' Report thereon

Year ended March 31, 2019

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Xeorixs Homes

Opinion

We have audited the financial statements of Xeorixs Homes (the Organization), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019 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.

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 auditors' 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.

Emphasis of Matter - Financial Reporting Framework

We draw attention to note 1(a) to the financial statements, which describes the applicable financial reporting framework and the significant differences between the financial reporting framework and Canadian accounting standards for not-for-profit organizations.

The financial statements are prepared to assist the Organization 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 opinion is not modified in respect to this matter.

Other Matter - Restriction on Use

Our report is intended solely for the Organization, the Board of Directors and the Ministry of Community and Social Services and should not be used by other parties.

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 adjusted to meet the financial reporting provisions of the Ministry of Community and Social 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 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 to 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.

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 the 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 the Organization's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- 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 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 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 Organization's 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
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

June 17, 2019

XEORIXS HOMES

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	$ 45,657	$ 41,307
Accounts receivable	49,523	53,630
HST recoverable	9,602	10,633
	104,782	105,570
Replacement reserve funds (Schedule A):		
Replacement reserve funds	248,949	227,931
Capital assets (note 2)	3,327,760	3,887,076
	$ 3,681,491	$ 4,220,577
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	$ 29,889	$ 31,363
Payable to Ministry of Children, Community and Social Services	45,167	45,167
Deferred revenue	17,346	16,660
Current portion of long-term debt (note 4)	473,687	284,287
	566,089	377,477
Long-term debt (note 4)	2,866,453	3,615,169
	3,432,542	3,992,646
Net assets:		
Replacement reserve funds	248,949	227,931
	$ 3,681,491	$ 4,220,577

See accompanying notes to financial statements.

On behalf of the Board:

XEORIXS HOMES

Statement of Operations and Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

		2019		2018
Revenue:				
Province of Ontario - Ministry of Children, Community and Social Services	$	577,008	$	591,570
Rental income		212,632		213,112
Partner facility renewal		-		58,020
Non-shelter rental		17,720		20,350
		807,360		883,052
Expenses:				
Amortization		278,014		274,626
Long-term debt interest		152,903		169,003
Materials and supplies		143,649		133,266
Utilities		121,065		136,041
Municipal taxes and insurance		41,573		41,136
Administration overhead		35,491		38,694
Replacement reserve allowance (Schedule A)		23,177		21,127
Legal and audit		10,324		10,324
Interest and bank charges		1,164		815
Renovation		-		58,020
		807,360		883,052
Excess of revenue over expenses		-		-
Net assets, beginning of year		-		-
Net assets, end of year	$	-	$	-

See accompanying notes to financial statements.

XEORIXS HOMES

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ -	$ -
Item not involving cash:		
Amortization	278,014	274,626
Change in non-cash operating working capital (note 5)	4,350	(12,932)
	282,364	261,694
Financing:		
Repayment of long-term debt	(278,014)	(274,626)
Replacement reserve funds	21,018	22,807
	(256,996)	(251,819)
Investing:		
Replacement reserve funds	(21,018)	(22,807)
Increase (decrease) in cash	4,350	(12,932)
Cash, beginning of year	41,307	54,239
Cash, end of year	$ 45,657	$ 41,307

Non-cash transactions (note 2):		
Transfer of capital assets	281,302	-
Extinguishments of long-term debt	(281,302)	-

See accompanying notes to financial statements.

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 Children, Community and Social Services. The Organization's significant accounting policies are as follows:

(a) Ministry of Children, Community and Social Services reporting:

The financial statements have been prepared using accounting principles that are prescribed by the Ministry of Children, Community and Social Services ("MCCSS"). 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 MCCSS are expensed to match the related funding recognized.

(b) Revenue recognition:

The Organization follows the deferral method of accounting for contributions for government grants.

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.

Revenue from rental income is recognized when the services are provided.

(c) Financial instruments:

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

1. Significant accounting policies (continued):

(c) 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.

(d) 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		2019 Net book value		2018 Net book value
Land	$	867,229	$	-	$	867,229	$	867,229
Buildings and equipment		6,216,166		3,755,635		2,460,531		3,019,847
	$	7,083,395	$	3,755,635	$	3,327,760	$	3,887,076

During the year, a building with a net book value of $281,302 (cost of $471,678 and accumulated amortization of $190,376) was transferred to an MCCSS - funded development service organization in exchange for the assumption of long-term debt of $281,302 related to the building.

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $nil (2018 - $nil).

4. Long-term debt:

		2019		2018
2.195% mortgage, repayable in monthly payments of $1,449, including principal and interest, due on January 1, 2022, Lambton I & II	$	78,355	$	93,841
1.735% mortgage, repayable in monthly payments of $1,499, including principal and interest, due on March 1, 2021, York II		115,876		131,715
2.54% mortgage, repayable in monthly payments of $1,277, including principal and interest, due on December 1, 2022, Essex III		80,860		93,939
1.735% mortgage, repayable in monthly payments of $1,547, including principal and interest, due on March 1, 2021, Simcoe V		119,554		135,896
1.735% mortgage, repayable in monthly payments of $1,312, including principal and interest, due on March 1, 2021, Simcoe VI		102,573		116,415
Carried forward		497,218		571,806

4. Long-term debt (continued):

	2019	2018
Carried forward	497,218	571,806
1.735% mortgage, repayable in monthly payments of $2,068, including principal and interest, due on March 1, 2021, Toronto VIII	165,318	187,070
1.878% mortgage, repayable in monthly payments of $1,335 including principal and interest, due on April 1, 2021, Ottawa VI	132,718	145,970
2.18% mortgage, repayable in monthly payments of $2,112, including principal and interest, due on September 1, 2019, Hamilton II & IV	215,625	236,046
2.04% mortgage, repayable in monthly payments of $1,631, including principal and interest, due on April 1, 2022, Oxford II	208,233	223,403
5.755% mortgage, repayable in monthly payments of $3,613, including principal and interest, due on May 1, 2024, Durham IX	381,657	402,655
5.755% mortgage, repayable in monthly payments of $2,270, including principal and interest, due on May 1, 2024, Cobourg III	239,689	252,887
5.755% mortgage, repayable in monthly payments of $2,683, including principal and interest, due on May 1, 2024, Peterborough VI	288,688	303,991
5.755% mortgage, repayable in monthly payments of $2,802, including principal and interest, due on May 1, 2024, Peterborough VII	295,882	312,172
5.755% mortgage, repayable in monthly payments of $2,572, including principal and interest, due on May 1, 2024, Central VII. During the year the mortgage was transferred along with the related capital asset to a MCCSS - funded development service organization.	-	289,955
5.755% mortgage, repayable in monthly payments of $7,078, including principal and interest, due on May 1, 2024, Durham VII & VIII	758,518	799,056
Carried forward	3,183,546	3,725,011

4. Long-term debt (continued):

	2019	2018
Carried forward	3,183,546	3,725,011
1.79% mortgage, repayable in monthly payments of $1,735, including principal and interest, due on May 1, 2020, Peterborough V	156,594	174,445
	3,340,140	3,899,456
Less current portion of long-term debt	473,687	284,287
	$ 2,866,453	$ 3,615,169

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, 2019 payment as per the MCCSS direction.

During the year, the Central VII mortgage was assumed by an MCCSS - funded developmental service organization. On transfer of the property to that organization, the organization assumed the long-term debt of $281,302.

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:

2020	$ 473,687
2021	751,560
2022	347,153
2023	294,244
2024	141,204
Thereafter	1,332,292
	$ 3,340,140

5. Change in non-cash operating working capital:

		2019		2018
Decrease in accounts receivable	$	4,107	$	2,855
Decrease (increase) in HST recoverable		1,031		(4,453)
Decrease in accounts payable and accrued liabilities		(1,474)		(10,830)
Decrease in payable to MCCSS		-		(1,680)
Increase in deferred revenue		686		1,176
	$	4,350	$	(12,932)

6. 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 MCCSS, its Board of Directors also is the Board of Directors of the Organization. The Organization incurred management fees from Christian Horizons of $24,840 (2018 - $24,840). At March 31, 2019, there is $12,711 (2018 - $11,697) due to Christian Horizons from the Organization that is included in accounts payable and accrued liabilities.

7. 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.

8. Economic dependence:

The Organization is economically dependent upon the MCCSS.

9. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.

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Schedule A - Statement of Changes in Replacement Reserve Funds

Year ended March 31, 2019, with comparative information for 2018

		2019		2018
Replacement reserve funds, beginning of year	$	227,931	$	205,124
Allocation to replacement reserve funds		23,177		21,127
Replacement reserve funds spent during the year		(6,345)		-
Bank interest income, net of service charges		4,186		1,680
Replacement reserve funds, end of year	$	248,949	$	227,931