Financial Statements of

XEORIXS HOMES

Year ended March 31, 2017

KPMG LLP
115 King Street South
2nd floor
Waterloo ON N2J 5A3
Canada
Tel 519-747-8800
Fax 519-747-8830

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Xeorixs Homes and the Ministry of Community and Social Services

We have audited the accompanying financial statements of Xeorixs Homes, which comprise the statement of financial position as at March 31, 2017, 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 the basis of accounting described in note 1(a) to the financial statements, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Xeorixs Homes as at March 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with the basis of accounting described in note 1(a) to the financial statements.

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

June 26, 2017

Waterloo, Canada

XEORIXS HOMES

Statement of Financial Position

March 31, 2017, with comparative information for 2016

		2017		2016
Assets				
Current assets:				
Cash	$	54,239	$	77,656
Accounts receivable		56,485		44,344
Receivable from Ministry of Community and Social Services		-		35,223
HST recoverable		6,180		6,898
		116,904		164,121
Replacement reserve funds (Schedule A):				
Replacement reserve funds		205,124		183,997
		205,124		183,997
Capital assets (note 2)		4,161,702		4,426,501
	$	4,483,730	$	4,774,619
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$	69,173	$	136,257
Payable to Ministry of Community and Social Services		19,867		-
Deferred revenue		15,484		15,484
Current portion of long-term debt (note 3)		368,565		373,792
		473,089		525,533
Long-term debt (note 3)		3,805,517		4,065,089
Net assets:				
Replacement reserve funds		205,124		183,997
	$	4,483,730	$	4,774,619

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, 2017, with comparative information for 2016

	2017	2016
Revenues:		
Province of Ontario - Ministry of Community and Social Services	$ 653,237	$ 663,549
Rental income	209,388	208,768
Partner facility renewal	67,088	6,000
Non-shelter rental	17,006	16,816
	946,719	895,133
Expenditures:		
Amortization	264,799	249,871
Long-term debt interest	179,414	200,997
Utilities	161,702	148,703
Materials and supplies	157,519	182,575
Renovation	67,088	-
Municipal taxes and insurance	42,620	38,877
Administration overhead	41,186	41,794
Replacement reserve allowance (Schedule A)	21,127	21,127
Legal and audit	10,324	10,303
Interest and bank charges	940	886
	946,719	895,133
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, 2017, with comparative information for 2016

		2017		2016
Cash provided by (used in):				
Operations:				
Excess of revenue over expenses	$	-	$	-
Item not involving cash:				
Amortization		264,799		249,871
Change in non-cash operating working capital (note 4)		(23,417)		78,723
		241,382		328,594
Financing:				
Repayment of long-term debt		(264,799)		(249,871)
Replacement reserve funds		21,127		21,127
		(243,672)		(228,744)
Investing:				
Replacement reserve funds		(21,127)		(38,711)
Increase (decrease) in cash		(23,417)		61,139
Cash, beginning of year		77,656		16,517
Cash, end of year	$	54,239	$	77,656

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 requirement 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.

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	2017 Net book value	2016 Net book value
Land	$ 867,229	$ -	$ 867,229	$ 867,229
Buildings and equipment	6,687,844	3,393,371	3,294,473	3,559,272
	$ 7,555,073	$ 3,393,371	$ 4,161,702	$ 4,426,501

3. Long-term debt:

		2017		2016
2.195% mortgage, repayable in monthly payments of $1,449, including principal and interest, due on January 1, 2022, Lambton I & II	$	108,992	$	-
2.20% mortgage, repayable in monthly payments of $1,449, including principal and interest, due on January 1, 2017, Lambton I & II		-		123,815
1.735% mortgage, repayable in monthly payments of $1,499, including principal and interest, due on March 1, 2021, York II		147,283		162,584
2.112% mortgage, repayable in monthly payments of $1,259, including principal and interest, due on December 1, 2017, Essex III		106,861		119,572
1.735% mortgage, repayable in monthly payments of $1,547, including principal and interest, due on March 1, 2021, Simcoe V		151,958		167,745
1.735% mortgage, repayable in monthly payments of $1,312, including principal and interest, due on March 1, 2021, Simcoe VI		130,020		143,391
1.735% mortgage, repayable in monthly payments of $2,068, including principal and interest, due on March 1, 2021, Toronto VIII		208,449		229,463
3.067% mortgage, repayable in monthly payments of $1,428, including principal and interest, due on April 1, 2016, Ottawa VI		-		172,030
1.878% mortgage, repayable in monthly payments of $1,335 including principal and interest, due on April 1, 2021, Ottawa VI		159,122		-
2.18% mortgage, repayable in monthly payments of $2,112, including principal and interest, due on September 1, 2019, Hamilton II & IV		256,028		275,582
Carried forward		1,268,713		1,394,182

3. Long-term debt (continued):

Carried forward	1,268,713	1,394,182
2.54% mortgage, repayable in monthly payments of $1,685, including principal and interest, due on April 1, 2017, Oxford II. Subsequent to year-end the mortgage was refinanced with interest at 2.04%, repayable in monthly payments of $1,631, including principal and interest, due on April 1, 2022.	238,269	252,281
5.755% mortgage, repayable in monthly payments of $3,613, including principal and interest, due on May 1, 2024, Durham IX	422,495	441,240
5.755% mortgage, repayable in monthly payments of $2,270, including principal and interest, due on May 1, 2024, Cobourg III	265,358	277,140
5.755% mortgage, repayable in monthly payments of $2,683, including principal and interest, due on May 1, 2024, Peterborough VI	318,449	332,110
5.755% mortgage, repayable in monthly payments of $2,802, including principal and interest, due on May 1, 2024, Peterborough VII	327,564	342,107
5.755% mortgage, repayable in monthly payments of $2,572, including principal and interest, due on May 1, 2024, Central VII	303,895	317,067
5.755% mortgage, repayable in monthly payments of $7,078, including principal and interest, due on May 1, 2024, Durham VII & VIII	837,358	873,548
1.79% mortgage, repayable in monthly payments of $1,735, including principal and interest, due on May 1, 2020, Peterborough V	191,981	209,206
	4,174,082	4,438,881
Less current portion of long-term debt	368,565	373,792
	$ 3,805,517	$ 4,065,089

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, 2017 payment as per the Ministry of Community and Social Services direction.

3. Long-term debt (continued):

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:

2018	$ 368,565
2019	271,184
2020	475,865
2021	754,306
2022	311,029
Thereafter	1,993,133
	$ 4,174,082

4. Change in non-cash operating working capital:

	2017	2016
Increase in accounts receivable	$ (12,141)	$ (42,190)
Decrease in receivable from MCSS	35,223	35,288
Decrease in HST recoverable	718	763
Decrease in prepaid expenses	-	3,321
Increase (decrease) in accounts payable and accrued liabilities	(67,084)	81,541
Increase in payable to MCSS	19,867	-
	$ (23,417)	$ 78,723

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 $25,987 (2016 - $24,120). At March 31, 2017, there is $58,158 (2016 - $109,833) due to Christian Horizons from the Organization that is included in accounts payable and accrued liabilities.

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, 2017, with comparative information for 2016

	2017	2016
Replacement reserve funds, beginning of year	$ 183,997	$ 162,870
Allocation to replacement reserve funds	21,127	21,127
Replacement reserve funds, end of year	$ 205,124	$ 183,997