Financial Statements of

XEORIXS HOMES

And Independent Auditors' Report thereon

Year ended March 31, 2020

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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 financial position as at March 31, 2020
- the operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes and schedule 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, 2020 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 for 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.

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 for 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.
- 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

August 10, 2020

XEORIXS HOMES

Financial Position

March 31, 2020, with comparative information for 2019

		2020		2019
Assets				
Current assets:				
Cash	$	46,032	$	45,657
Accounts receivable		55,820		49,523
HST recoverable		10,637		9,602
Prepaid expenses		806		-
		113,295		104,782
Replacement reserve funds (Schedule A):				
Replacement reserve funds		274,458		248,949
Capital assets (note 2)		3,048,700		3,327,760
	$	3,436,453	$	3,681,491
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 3)	$	56,482	$	29,889
Payable to Ministry of Children, Community and Social Services		27,087		45,167
Deferred revenue		17,346		17,346
Current portion of long-term debt (note 4)		771,063		473,687
		871,978		566,089
Long-term debt (note 4)		2,290,017		2,866,453
		3,161,995		3,432,542
Net assets:				
Replacement reserve funds		274,458		248,949
Subsequent event (note 9)				
	$	3,436,453	$	3,681,491

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, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Province of Ontario - Ministry of Children, Community and Social Services	$ 555,216	$ 577,008
Rental income	208,152	212,632
Non-shelter rental	15,765	17,720
	779,133	807,360
Expenses:		
Amortization	279,060	278,014
Long-term debt interest	133,879	152,903
Materials and supplies	126,461	143,649
Utilities	118,858	121,065
Municipal taxes and insurance	51,043	41,573
Administration overhead	38,145	35,491
Replacement reserve allowance (Schedule A)	20,055	23,177
Legal and audit	10,557	10,324
Interest and bank charges	1,075	1,164
	779,133	807,360
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, 2020, with comparative information for 2019

		2020		2019
Cash provided by (used in):				
Operations:				
Excess of revenue over expenses	$	-	$	-
Item not involving cash:				
Amortization		279,060		278,014
Change in non-cash operating working capital (note 5)		375		4,350
		279,435		282,364
Financing:				
Repayment of long-term debt		(279,060)		(278,014)
Replacement reserve funds		25,509		21,018
		(253,551)		(256,996)
Investing:				
Replacement reserve funds		(25,509)		(21,018)
Increase in cash		375		4,350
Cash, beginning of year		45,657		41,307
Cash, end of year	$	46,032	$	45,657

Non-cash transactions:				
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.

1. Significant accounting policies (continued):

(e) New accounting standards:

In March 2018, the Accounting Standards Board issued “Basis for Conclusions - Accounting Standards Improvements for Not-for-Profit Organizations” resulting in the introduction of three new handbook sections in Canadian Accounting Standards for Not-for-Profit Organizations - Part III of the Chartered Professional Accountants of Canada Handbook ("Handbook") as follows:

(i) Section 4433, Tangible capital assets held by not-for-profit organizations, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Accounting Standards for Private Enterprises - Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

(ii) Section 4434, Intangible assets held by not-for-profit organizations, which directs organizations to annually assess intangible assets, and, where applicable, to record an impairment expense should the net carrying value be higher than the fair value or replacement cost of the asset.

(iii) Section 4441, Collections held by not-for-profit organizations, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

The amendments are effective for the Organization's financial statements for the year ended March 31, 2020.

The implementation of these changes had no impact on the financial statements.

2. Capital assets:

		Cost		Accumulated amortization		2020 Net book value		2019 Net book value
Land	$	867,229	$	-	$	867,229	$	867,229
Buildings and equipment		6,216,166		4,034,695		2,181,471		2,460,531
	$	7,083,395	$	4,034,695	$	3,048,700	$	3,327,760

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $nil (2019 - $nil).

4. Long-term debt:

		2020		2019
2.195% mortgage, repayable in monthly payments of $1,449, including principal and interest, due on January 1, 2022, Lambton I & II	$	62,528	$	78,355
1.735% mortgage, repayable in monthly payments of $1,499, including principal and interest, due on March 1, 2021, York II		99,761		115,876
2.54% mortgage, repayable in monthly payments of $1,277, including principal and interest, due on December 1, 2022, Essex III		67,397		80,860
1.735% mortgage, repayable in monthly payments of $1,547, including principal and interest, due March 1, 2021, Simcoe V		102,927		119,554
1.735% mortgage, repayable in monthly payments of $1,312, including principal and interest, due March 1, 2021, Simcoe VI		88,491		102,573
Carried forward	$	421,104	$	497,218

4. Long-term debt (continued):

		2020		2019
Carried forward	$	421,104	$	497,218
1.735% mortgage, repayable in monthly payments of $2,068, including principal and interest, due on March 1, 2021, Toronto VIII		143,187		165,318
1.878% mortgage, repayable in monthly payments of $1,335 including principal and interest, due on April 1, 2021, Ottawa VI		118,917		132,718
2.18% mortgage, repayable in monthly payments of $2,112, including principal and interest, due on September 1, 2019, Hamilton II & IV		-		215,625
2.22% mortgage, repayable in monthly payments of $2,115, including principal and interest, due on September 1, 2024, Hamilton II & IV		194,799		-
2.04% mortgage, repayable in monthly payments of $1,631, including principal and interest, due on April 1, 2022, Oxford II		192,751		208,233
5.755% mortgage, repayable in monthly payments of $3,613, including principal and interest, due on May 1, 2024, Durham IX		359,433		381,657
5.755% mortgage, repayable in monthly payments of $2,270, including principal and interest, due on May 1, 2024, Cobourg III		225,720		239,689
5.755% mortgage, repayable in monthly payments of $2,683, including principal and interest, due on May 1, 2024, Peterborough VI		272,493		288,688
5.755% mortgage, repayable in monthly payments of $2,802, including principal and interest, due on May 1, 2024, Peterborough VII		278,640		295,882
5.755% mortgage, repayable in monthly payments of $7,078, including principal and interest, due on May 1, 2024, Durham VII & VIII		715,614		758,518
Carried forward	$	2,922,658	$	3,183,546

4. Long-term debt (continued):

	2020	2019
Carried forward	$ 2,922,658	$ 3,183,546
1.79% mortgage, repayable in monthly payments of $1,735, including principal and interest, due on May 1, 2020, Peterborough V	138,422	156,594
	3,061,080	3,340,140
Less current portion of long-term debt	(771,063)	(473,687)
	$ 2,290,017	$ 2,866,453

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, 2020 payment as per the MCCSS direction.

Principal repayments required on long-term debt in each of the next five years is as follows:

2021	$ 771,063
2022	370,716
2023	316,500
2024	163,957
2025	1,438,844
	$ 3,061,080

5. Change in non-cash operating working capital:

		2020		2019
Decrease (increase) in current assets:				
Accounts receivable	$	(6,297)	$	4,107
HST recoverable		(1,035)		1,031
Prepaid expenses		(806)		-
		(8,138)		5,138
Increase (decrease) in current liabilities:				
Payable to MCCSS		26,593		(1,474)
Deferred revenue		(18,080)		686
		8,513		(788)
	$	375	$	4,350

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 (2019 - $24,840). At March 31, 2020, there is $36,812 (2019 - $12,711) 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. No allowance for impairment of receivables has been recorded at March 31, 2020 and 2019.

(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. Subsequent events:

During the year, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had significant financial, market and social impacts.

At the time of approval of these financial statements, the Organization has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Restricted access to the centralized administration building based on public health recommendation from March 13, 2020 to the date of the approval of these financial statements by the Board of Directors; and
- Mandatory working from home requirements where appropriate.

At this time, these factors present uncertainty over future cash flows, may cause changes to the assets or liabilities and may have an impact on future operations. An estimate of the financial effect is not practicable at this time.

XEORIXS HOMES

Schedule A - Statement of Changes in Replacement Reserve Funds

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Replacement reserve funds, beginning of year	$ 248,949	$ 227,931
Allocation to replacement reserve funds	20,055	23,177
Replacement reserve funds spent during the year	-	(6,345)
Bank interest income, net of service charges	5,454	4,186
Replacement reserve funds, end of year	$ 274,458	$ 248,949