Financial Statements of

XEORIXS HOMES

And Independent Auditors' Report thereon

Year ended March 31, 2022

KPMG LLP
115 King Street South
2nd floor
Waterloo ON N2G 0E1
Canada
Tel 519-747-8800
Fax 519-747-8830

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, 2022
- 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 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, 2022 and its results of operations, its changes in net assets 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

Kitchener, Canada

July 11, 2022

XEORIXS HOMES

Statement of Financial Position

March 31, 2022, with comparative information for 2021

		2022		2021
Assets				
Current assets:				
Cash	$	42,129	$	59,294
Accounts receivable (note 2)		54,085		46,922
HST recoverable		5,420		7,278
		101,634		113,494
Replacement reserve funds (Schedule A):				
Replacement reserve funds		290,702		296,216
Capital assets (note 3)		2,462,132		2,760,308
	$	2,854,468	$	3,170,018
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 4)	$	44,819	$	56,679
Payable to Ministry of Children, Community and Social Services		27,089		27,089
Deferred revenue		17,346		17,346
Current portion of long-term debt (note 5)		334,157		368,092
		423,411		469,206
Long-term debt (note 5)		2,140,355		2,404,596
		2,563,766		2,873,802
Net assets:				
Replacement reserve funds		290,702		296,216
	$	2,854,468	$	3,170,018

See accompanying notes to financial statements.

On behalf of the Board:

Mark Ghesquiere (Sep 29, 2022 21:51 EDT)

XEORIXS HOMES

Statement of Operations and Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Province of Ontario - Ministry of Children, Community and Social Services	$ 562,377	$ 555,214
Rental income	208,152	208,152
Non-shelter rental	17,649	18,484
	788,178	781,850
Expenses:		
Amortization	298,176	288,393
Utilities	141,582	117,710
Long-term debt interest	115,272	125,026
Materials and supplies	86,794	119,165
Administration overhead	58,696	54,245
Municipal taxes and insurance	56,593	45,627
Replacement reserve allowance (Schedule A)	20,049	20,049
Legal and audit	10,502	11,015
Interest and bank charges	514	620
	788,178	781,850
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, 2022, with comparative information for 2021

		2022		2021
Cash provided by (used in):				
Operations:				
Excess of revenue over expenses	$	-	$	-
Item not involving cash:				
Amortization		298,176		288,393
Change in non-cash operating working capital (note 6)		(17,165)		13,262
		281,011		301,655
Financing:				
Repayment of long-term debt		(298,176)		(288,393)
Replacement reserve funds		(5,514)		21,758
		(303,690)		(266,635)
Investing:				
Replacement reserve funds		(20,616)		(21,758)
Increase (decrease) in cash		(43,295)		13,262
Cash, beginning of year		59,294		46,032
Cash, end of year	$	15,999	$	59,294

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 accounts receivable. Actual results could differ from those estimates.

2. Accounts receivable:

	2022	2021
Due from MCCSS	$ 53,434	$ 46,271
Other	651	651
	$ 54,085	$ 46,922

3. Capital assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	$ 867,229	$ -	$ 867,229	$ 867,229
Buildings and equipment	6,216,166	4,621,263	1,594,903	1,893,079
	$ 7,083,395	$ 4,621,263	$ 2,462,132	$ 2,760,308

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $nil (2021 - $nil).

5. Long-term debt:

	2022	2021
2.54% mortgage, repayable in monthly payments of $1,277, including principal and interest, due on December 1, 2022, Essex III	$ 39,511	$ 53,616
3.85% mortgage, repayable in monthly payments of $1,473 including principal and interest, due on January 1, 2024, Lambton I & II	29,908	46,351
5.755% mortgage, repayable in monthly payments of $3,613, including principal and interest, due on May 1, 2024, Durham IX	311,135	335,912
5.755% mortgage, repayable in monthly payments of $7,078, including principal and interest, due on May 1, 2024, Durham VII & VIII	622,088	670,205
5.755% mortgage, repayable in monthly payments of $2,270, including principal and interest, due on May 1, 2024, Cobourg III	195,362	210,936
2.22% mortgage, repayable in monthly payments of $2,115, including principal and interest, due on September 1, 2024, Hamilton II & IV	151,772	173,504
5.755% mortgage, repayable in monthly payments of $2,683, including principal and interest, due on May 1, 2024, Peterborough VI	237,295	255,352
Carried forward	1,587,071	1,745,876

5. Long-term debt (continued):

	2022	2021
Carried forward	1,587,071	1,745,876
5.755% mortgage, repayable in monthly payments of $2,802, including principal and interest, due on May 1, 2024, Peterborough VII	241,171	260,393
2.42% mortgage, repayable in monthly payments of $1,773, including principal and interest, due on May 1, 2025, Peterborough V	101,709	120,250
2.15% mortgage, repayable in monthly payments of $1,563, including principal and interest, due February 1, 2026, Simcoe V	68,979	86,025
1.40% mortgage, repayable in monthly payments of $1,301, including principal and interest, due March 1, 2026, Simcoe VI	59,497	74,152
1.40% mortgage, repayable in monthly payments of $2,050, including principal and interest, due on March 1, 2026, Toronto VIII	97,618	120,655
2.15% mortgage, repayable in monthly payments of $1,515, including principal and interest, due on February 1, 2026, York II	66,857	83,379
1.628% mortgage, repayable in monthly payments of $1,324 including principal and interest, due on April 1, 2026, Ottawa VI.	90,755	105,007
2.75% mortgage, repayable in monthly payments of $1,681, including principal and interest, due on April 1, 2027, Oxford II	160,855	176,951
	2,474,512	2,772,688
Less current portion of long-term debt	(334,157)	(368,092)
	$ 2,140,355	$ 2,404,596

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, 2022 payment as per the MCCSS direction.

5. Long-term debt (continued):

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

2023	$	334,157
2024		300,344
2025		1,567,504
2026		147,022
2027		125,485
	$	2,474,512

6. Change in non-cash operating working capital:

		2022		2021
Decrease (increase) in current assets:				
Accounts receivable	$	(7,163)	$	8,898
HST recoverable		1,858		3,359
Prepaid expenses		-		806
		(5,305)		13,063
Increase (decrease) in current liabilities:				
Accounts payable and accrued liabilities		(11,860)		197
Payable to MCCSS		-		2
Deferred revenue		-		-
		(11,860)		199
	$	(17,165)	$	13,262

7. 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 (2021 - $24,840). At March 31, 2022, there is $27,791 (2021 - $38,579) due to Christian Horizons from the Organization that is included in accounts payable and accrued liabilities.

8. Financial risks:

(a) Implications due to COVID-19:

In March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic. The pandemic has resulted in significant financial, market and societal impacts in Canada and around the world.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Organization's operations and financial position is not known at this time. There remains uncertainty for the upcoming year regarding the aforementioned items. These impacts could include a decline in future cash flows, changes to the value of financial assets and liabilities, and the use of fund balances to sustain operations. An estimate of the financial effect of the pandemic on the Organization is not practicable at this time.

(b) 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, 2022 and 2021.

(c) 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.

(d) 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.

9. Economic dependence:

The Organization is economically dependent upon the MCCSS.

XEORIXS HOMES

Schedule A - Statement of Changes in Replacement Reserve Funds

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Replacement reserve funds, beginning of year	$ 296,216	$ 274,458
Allocation to replacement reserve funds	20,049	20,049
Replacement reserve expenses	(27,205)	-
Bank interest income, net of service charges	1,642	1,709
Replacement reserve funds, end of year	$ 290,702	$ 296,216