

Financial Statements of

**XEORIXS HOMES**

Year ended March 31, 2015



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## 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, 2015, 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 in our audit 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, 2015, 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.



Page 2

*Basis of Accounting and Restriction on Use*

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 22, 2015

Waterloo, Canada

# XEORIXS HOMES

## Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014
<b>Assets</b>		
Current assets:		
Cash	\$ 16,517	\$ 59,447
Accounts receivable	2,154	2,652
Receivable from MCSS	70,511	15,682
HST recoverable	7,661	14,758
Prepaid expenses	3,321	3,224
Due from replacement reserve fund	-	3,205
	<u>100,164</u>	<u>98,968</u>
Replacement reserve funds (Schedule A):		
Replacement reserve funds	145,286	123,792
Receivable from (payable to) general bank	17,584	(3,205)
	<u>162,870</u>	<u>120,587</u>
Capital assets (note 2)	4,676,372	4,913,956
	<u>\$ 4,939,406</u>	<u>\$ 5,133,511</u>

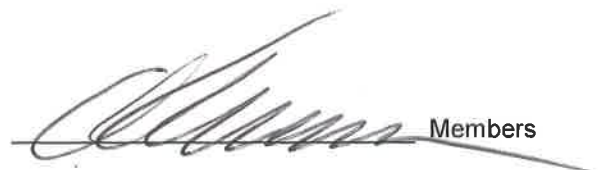
## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 54,716	\$ 83,339
Deferred revenue	15,484	15,484
Due to replacement reserve	17,584	-
Current portion of long-term debt (note 3)	1,162,260	532,300
	<u>1,250,044</u>	<u>631,123</u>
Long-term debt (note 3)	3,526,492	4,394,036
Net assets:		
Replacement reserve funds	162,870	120,587
Deficit	-	(12,235)
	<u>162,870</u>	<u>108,352</u>
	<u>\$ 4,939,406</u>	<u>\$ 5,133,511</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, 2015, with comparative information for 2014

	2015	2014
<b>Revenues:</b>		
Province of Ontario - Ministry of Community and Social Services	\$ 715,249	\$ 694,474
Rental income	205,194	202,676
Partner facility renewal	15,980	-
Non-shelter rental	28,244	48,294
	<u>964,667</u>	<u>945,444</u>
<b>Expenditures:</b>		
Amortization	237,584	227,403
Long-term debt interest	216,620	227,767
Materials and supplies	208,838	215,444
Utilities	143,069	128,710
Replacement reserve allowance	42,283	37,235
Administration overhead	39,049	33,023
Municipal taxes and insurance	38,150	29,159
Renovation	15,980	-
Legal and audit	10,422	10,140
Interest and bank charges	437	333
	<u>952,432</u>	<u>909,214</u>
Excess of revenue over expenses	12,235	36,230
Deficit, beginning of year	(12,235)	(48,465)
Deficit, end of year	<u>\$ -</u>	<u>\$ (12,235)</u>

See accompanying notes to financial statements.

# XEORIXS HOMES

## Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 12,235	\$ 36,230
Item not involving cash:		
Amortization	237,584	227,403
Change in non-cash operating working capital (note 4)	(75,954)	(139,196)
	173,865	124,437
Financing:		
Repayment of long-term debt	(237,584)	(227,403)
Replacement reserve funds	42,283	14,418
Change in replacement reserve fund assets	(21,494)	(66,175)
	(216,795)	(279,160)
Decrease in cash	(42,930)	(154,723)
Cash, beginning of year	59,447	214,170
Cash, end of year	\$ 16,517	\$ 59,447

See accompanying notes to financial statements.

# XEORIXS HOMES

## Notes to Financial Statements

Year ended March 31, 2015

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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.

# XEORIXS HOMES

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 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	2015 Net book value	2014 Net book value
Land	\$ 867,229	\$ -	\$ 867,229	\$ 867,229
Buildings and equipment	6,687,844	2,878,701	3,809,143	4,046,727
	<u>\$ 7,555,073</u>	<u>\$ 2,878,701</u>	<u>\$ 4,676,372</u>	<u>\$ 4,913,956</u>



# XEORIXS HOMES

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 3. Long-term debt:

	2015	2014
2.20% mortgage, repayable in monthly payments of \$1,449, including principal and interest, due January 1, 2017, Lambton I & II	\$ 138,316	\$ 152,504
2.112% mortgage, repayable in monthly payments of \$1,259, including principal and interest, due December 1, 2017, Essex III	132,012	144,201
3.258% mortgage, repayable in monthly payments of \$1,611, including principal and interest, due March 1, 2016, York II	176,507	189,896
3.258% mortgage, repayable in monthly payments of \$1,663, including principal and interest, due March 1, 2016, Simcoe V	182,110	195,924
3.258% mortgage, repayable in monthly payments of \$1,411, including principal and interest, due March 1, 2016, Simcoe VI	155,551	167,244
3.258% mortgage, repayable in monthly payments of \$2,226, including principal and interest, due March 1, 2016, Toronto VIII	248,547	266,898
3.067% mortgage, repayable in monthly payments of \$1,428, including principal and interest, due April 1, 2016, Ottawa VI	183,727	195,073
3.151% mortgage, repayable in monthly payments of \$2,250, including principal and interest, due September 1, 2014, Hamilton II & IV	-	312,911
2.18% mortgage, repayable in monthly payments of \$2,112, including principal and interest, due September 1, 2019, Hamilton II & IV	294,716	-
2.54% mortgage, repayable in monthly payments of \$1,685, including principal and interest, due April 1, 2017, Oxford II	265,943	279,265
5.755% mortgage, repayable in monthly payments of \$3,613, including principal and interest, due May 1, 2024, Durham IX	458,952	475,686
5.755% mortgage, repayable in monthly payments of \$2,270, including principal and interest, due May 1, 2024, Cobourg III	288,272	298,791
5.755% mortgage, repayable in monthly payments of \$2,683, including principal and interest, due May 1, 2024, Peterborough VI	345,017	357,212
Carried forward	2,869,670	3,035,605

# XEORIXS HOMES

Notes to Financial Statements (continued)

Year ended March 31, 2015

### 3. Long-term debt (continued):

	2015	2014
Carried forward	2,869,670	3,035,605
5.755% mortgage, repayable in monthly payments of \$2,802, including principal and interest, due May 1, 2024, Peterborough VII	355,848	368,831
5.755% mortgage, repayable in monthly payments of \$2,572, including principal and interest, due May 1, 2024, Central VII	329,512	341,271
5.755% mortgage, repayable in monthly payments of \$7,078, including principal and interest, due May 1, 2024, Durham VII & VIII	907,741	940,048
3.692% mortgage, repayable in monthly payments of \$1,931, including principal and interest, due May 1, 2015, Peterborough V	225,981	240,581
	<u>4,688,752</u>	<u>4,926,336</u>
Less current portion of long-term debt	1,162,260	532,300
	<u>\$ 3,526,492</u>	<u>\$ 4,394,036</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, 2015 payment as per the Ministry of Community and Social Services direction.

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

2016	\$ 1,162,260
2017	450,215
2018	479,515
2019	141,501
2020	343,775
Thereafter	2,111,486
	<u>\$ 4,688,752</u>

# XEORIXS HOMES

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 4. Change in non-cash operating working capital:

	2015	2014
Decrease (increase) in accounts receivable	\$ 498	\$ (1,757)
Increase in receivable from MCSS	(54,829)	(15,682)
Decrease in HST recoverable	7,097	4,003
Decrease (increase) in prepaid expenses	(97)	20
Decrease in accounts payable and accrued liabilities	(28,623)	(2,871)
Decrease in payable to MCSS	-	(122,909)
	<u>\$ (75,954)</u>	<u>\$ (139,196)</u>

## 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 Executive Committee is the Board of Directors of the Organization. The Organization incurred management fees from Christian Horizons of \$24,840 (2014 - \$24,840). At March 31, 2015, there is \$28,656 (2014 - \$62,596) 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.

# **XEORIXS HOMES**

Notes to Financial Statements (continued)

Year ended March 31, 2015

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**6. Financial risks and concentration of risk: (continued):**

(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, 2015, with comparative information for 2014

	2015	2014
Replacement reserve funds, beginning of year	\$ 120,587	\$ 106,169
Allocation to replacement reserve funds	42,283	37,235
	162,870	143,404
Capital expenditures paid out of reserve fund	-	(22,817)
Replacement reserve funds, end of year	\$ 162,870	\$ 120,587