

Financial Statements of

# **XEORIXS HOMES**

Year ended March 31, 2016



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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, 2016, 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, 2016, 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.



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*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*

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Chartered Professional Accountants, Licensed Public Accountants

June 27, 2016

Waterloo, Canada

# XEORIXS HOMES

## Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Cash	\$ 77,656	\$ 16,517
Accounts receivable	44,344	2,154
Receivable from Ministry of Community and Social Services	35,223	70,511
HST recoverable	6,898	7,661
Prepaid expenses	-	3,321
	<u>164,121</u>	<u>100,164</u>
Replacement reserve funds (Schedule A):		
Replacement reserve funds	183,997	145,286
Receivable from general bank	-	17,584
	<u>183,997</u>	<u>162,870</u>
Capital assets (note 2)	4,426,501	4,676,372
	<u>\$ 4,774,619</u>	<u>\$ 4,939,406</u>

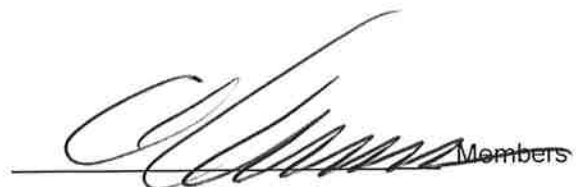
## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 136,257	\$ 54,716
Deferred revenue	15,484	15,484
Due to replacement reserve	-	17,584
Current portion of long-term debt (note 3)	373,792	1,162,260
	<u>525,533</u>	<u>1,250,044</u>
Long-term debt (note 3)	4,065,089	3,526,492
Net assets:		
Replacement reserve funds	183,997	162,870
Subsequent event (note 3)		
	<u>\$ 4,774,619</u>	<u>\$ 4,939,406</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, 2016, with comparative information for 2015

	2016	2015
Revenues:		
Province of Ontario - Ministry of Community and Social Services	\$ 663,549	\$ 715,249
Rental income	208,768	205,194
Non-shelter rental	16,816	28,244
Partner facility renewal	6,000	15,980
	<u>895,133</u>	<u>964,667</u>
Expenditures:		
Amortization	249,871	237,584
Long-term debt interest	200,997	216,620
Materials and supplies	182,575	208,838
Utilities	148,703	143,069
Administration overhead	41,794	39,049
Municipal taxes and insurance	38,877	38,150
Replacement reserve allowance (Schedule A)	21,127	42,283
Legal and audit	10,303	10,422
Interest and bank charges	886	437
Renovation	-	15,980
	<u>895,133</u>	<u>952,432</u>
Excess of revenue over expenses	-	12,235
Deficit, beginning of year	-	(12,235)
Surplus, end of year	\$ -	\$ -

See accompanying notes to financial statements.

# XEORIXS HOMES

## Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ -	\$ 12,235
Item not involving cash:		
Amortization	249,871	237,584
Change in non-cash operating working capital (note 4)	78,723	(75,954)
	<u>328,594</u>	<u>173,865</u>
Financing:		
Repayment of long-term debt	(249,871)	(237,584)
Replacement reserve funds	21,127	42,283
	<u>(228,744)</u>	<u>(195,301)</u>
Investing:		
Replacement reserve funds	(38,711)	(21,494)
Increase (decrease) in cash	<u>61,139</u>	<u>(42,930)</u>
Cash, beginning of year	16,517	59,447
Cash, end of year	<u>\$ 77,656</u>	<u>\$ 16,517</u>

See accompanying notes to financial statements.

# XEORIXS HOMES

Notes to Financial Statements

Year ended March 31, 2016

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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, 2016

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## 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	2016 Net book value	2015 Net book value
Land	\$ 867,229	\$ -	\$ 867,229	\$ 867,229
Buildings and equipment	6,687,844	3,128,572	3,559,272	3,809,143
	<u>\$ 7,555,073</u>	<u>\$ 3,128,572</u>	<u>\$ 4,426,501</u>	<u>\$ 4,676,372</u>



# XEORIXS HOMES

Notes to Financial Statements (continued)

Year ended March 31, 2016

### 3. Long-term debt:

	2016	2015
2.20% mortgage, repayable in monthly payments of \$1,449, including principal and interest, due January 1, 2017, Lambton I & II	\$ 123,815	\$ 138,316
2.112% mortgage, repayable in monthly payments of \$1,259, including principal and interest, due December 1, 2017, Essex III	119,572	132,012
1.735% mortgage, repayable in monthly payments of \$1,499, including principal and interest, due March 1, 2021, York II	162,584	-
3.258% mortgage, repayable in monthly payments of \$1,611, including principal and interest, due March 1, 2016, York II	-	176,507
1.735% mortgage, repayable in monthly payments of \$1,547, including principal and interest, due March 1, 2021, Simcoe V	167,745	-
3.258% mortgage, repayable in monthly payments of \$1,663, including principal and interest, due March 1, 2016, Simcoe V	-	182,110
1.735% mortgage, repayable in monthly payments of \$1,312, including principal and interest, due March 1, 2021, Simcoe VI	143,391	-
3.258% mortgage, repayable in monthly payments of \$1,411, including principal and interest, due March 1, 2016, Simcoe VI	-	155,551
1.735% mortgage, repayable in monthly payments of \$2,068, including principal and interest, due March 1, 2021, Toronto VIII	229,463	-
3.258% mortgage, repayable in monthly payments of \$2,226, including principal and interest, due March 1, 2016, Toronto VIII	-	248,547
3.067% mortgage, repayable in monthly payments of \$1,428, including principal and interest, due April 1, 2016, Ottawa VI. Subsequent to year end, the mortgage was refinanced with interest at 1.878%, repayable in monthly payments of \$1,335, including principal and interest, due April 1, 2021	172,030	183,727
2.18% mortgage, repayable in monthly payments of \$2,112, including principal and interest, due September 1, 2019, Hamilton II & IV	275,582	294,716
Carried forward	1,394,182	1,511,486

# XEORIXS HOMES

Notes to Financial Statements (continued)

Year ended March 31, 2016

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

Carried forward	1,394,182	1,511,486
2.54% mortgage, repayable in monthly payments of \$1,685, including principal and interest, due April 1, 2017, Oxford II	252,281	265,943
5.755% mortgage, repayable in monthly payments of \$3,613, including principal and interest, due May 1, 2024, Durham IX	441,240	458,952
5.755% mortgage, repayable in monthly payments of \$2,270, including principal and interest, due May 1, 2024, Cobourg III	277,140	288,272
5.755% mortgage, repayable in monthly payments of \$2,683, including principal and interest, due May 1, 2024, Peterborough VI	332,110	345,017
5.755% mortgage, repayable in monthly payments of \$2,802, including principal and interest, due May 1, 2024, Peterborough VII	342,107	355,848
5.755% mortgage, repayable in monthly payments of \$2,572, including principal and interest, due May 1, 2024, Central VII	317,067	329,512
5.755% mortgage, repayable in monthly payments of \$7,078, including principal and interest, due May 1, 2024, Durham VII & VIII	873,548	907,741
1.79% mortgage, repayable in monthly payments of \$1,735, including principal and interest, due May 1, 2020, Peterborough V	209,206	-
3.692% mortgage, repayable in monthly payments of \$1,931, including principal and interest, due May 1, 2015, Peterborough V	-	225,981
	<hr/>	<hr/>
	4,438,881	4,688,752
Less current portion of long-term debt	373,792	1,162,260
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	\$ 4,065,089	\$ 3,526,492

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, 2016 payment as per the Ministry of Community and Social Services direction.

# XEORIXS HOMES

Notes to Financial Statements (continued)

Year ended March 31, 2016

### 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:

2017	\$	373,792
2018		576,817
2019		240,526
2020		444,557
2021		722,329
Thereafter		2,080,860
	\$	4,438,881

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

	2016	2015
Decrease (increase) in accounts receivable	\$ (42,190)	\$ 498
Decrease (increase) in receivable from MCSS	35,288	(54,829)
Decrease in HST recoverable	763	7,097
Decrease (increase) in prepaid expenses	3,321	(97)
Increase (decrease) in accounts payable and accrued liabilities	81,541	(28,623)
	\$ 78,723	\$ (75,954)

### 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 \$24,120 (2015 - \$24,840). At March 31, 2016, there is \$109,833 (2015 - \$28,656) due to Christian Horizons from the Organization that is included in accounts payable and accrued liabilities.

# XEORIXS HOMES

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 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, 2016, with comparative information for 2015

		2016		2015
Replacement reserve funds, beginning of year	\$	162,870	\$	120,587
Allocation to replacement reserve funds		21,127		42,283
Replacement reserve funds, end of year	\$	183,997	\$	162,870