

# knox heritage place

## annual report 2018



mayor ROB BURTON  
with IRIS MOLE on her  
100th BIRTHDAY

**KNOX OAKVILLE NON-PROFIT HOMES FOR SENIORS INC.  
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## **KNOX OAKVILLE NON-PROFIT HOMES FOR SENIORS INC. BUILDING DESCRIPTION**

Knox Heritage Place is a non-denominational seniors' apartment building situated in the River Oaks area of Oakville.

The philosophy behind the construction and operation of this building is to provide an environment that will contribute to the continued independence and autonomy for senior citizens. This is carried out through the structural design and decoration of the building along with the in-house activities engaged in by the seniors.

The structural design includes such prosthetic features as handrails in hallways which are both staggered and well lit, levered handles on doors, high placement of electric plug outlets and grab bars in the bathrooms. The front door entranceway has a sky-lit canopy along with variations in brickwork and roadwork to aid depth perception. Decoration features include seating by the elevators, and in the Richard Green Room there is high firm seating in sofas and chairs. Provisions have been made for wheelchair accessibility throughout the building. The facilities are intended to encourage interaction among the residents. The building has been placed beside a ravine within a garden setting to encourage enjoyment of God's handiwork.

There are 80 apartments on four floors. The building is serviced by two elevators.

Facilities on the ground floor include:

- The Richard Green Room, which is a common room for all residents. This room has a fireplace, piano, television and an informal seating arrangement. A kitchen off the common room allows this room to be used for informal dining for organized events.
- A laundry room with four washers and four dryers.
- A solarium with a door leading to the rear of the building where gardening enthusiasts have garden plots.
- A guestroom that is available for tenant emergencies or for lease at a minimal cost for visiting friends and family.

- Continued

## **Building Description Continued**

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The fourth-floor houses three activity rooms

- One large, skylight room used for art and crafts, bingo and exercise classes.
- A library/games room with cozy seating and a view of the lake.
- A tenant storage room housing ten large cage lockers and additional space for tenant bike storage.

The River Oaks area has regular bus service as well as specialized community buses on certain days that are available at our door.

Four units are designed for the physically challenged through consideration in the kitchen and bathroom areas. Throughout these apartments, light switches are low and plugs are placed higher.

The ground floor apartments have small patios off the living room. A large patio with a barbecue for all the residents is located at the rear of the building overlooking the ravine. There is also a balcony on the second floor on the front of the building.

All apartments were upgraded in 2015 and have vinyl plank flooring in the kitchen, hallway and bathroom with carpeting in the living room and bedrooms. A refrigerator and stove are provided. The heating is electric, and individual thermostats are in the living room, bedroom and bathroom of each unit.

The rents for the apartments are at the low end of the market rent for Oakville. For applicants who may have difficulty affording these rents, subsidies allow some qualifying tenants to pay an amount of rent geared to their income. There is a great demand for these subsidized units and only a percentage of the apartments can be subsidized. There is a waiting list for all units.

Residents are asked to show a willingness to participate in the development of this seniors' citizen community.

Knox Heritage Place is managed by Knox Oakville Non-Profit Homes for Seniors Inc., a non-profit corporation with a volunteer board of directors. Knox Presbyterian Church makes no monetary contribution toward the upkeep of Knox Heritage Place; however, the members of the congregation do contribute as directors, in offering advice and moral support. A Property Maintenance person and an Administrator are employed by the corporation.

**KNOX OAKVILLE NON-PROFIT HOMES FOR SENIORS INC.  
CORPORATE INFORMATION**

Chairman	Clayton Shold
Treasurer	Tom Richards
Secretary	Duncan Turnbull

**DIRECTORS**

Clayton Shold	Archie McCallum
Tom Richards	Alex McLean
Duncan Turnbull	Dave Newton
Hugh Cass	John Platt
Sharlene Hunt	Keith Wilkinson
Peter Kaps	

**STAFF**

Administrator	Melissa Zentner
Property Maintenance	Troy Sparrow
Security	Barry Brown
Security	Debra Henley
Security	Matthew Malinowski
Security	John Thompsett
Security	Jim Workman

**KNOX OAKVILLE NON-PROFIT HOMES FOR SENIORS INC.  
ANNUAL GENERAL MEETING MARCH 17, 2019**

11:45 Registration and coffee

12:00 Meeting called to order with opening prayer

**THE PROPOSED AGENDA IS:**

1. Call to order and proof of quorum
2. Proof of notice and appointment of secretary
3. Introduction of guests
4. Adoption of agenda
5. Approval of the Minutes from the AGM held on March 18, 2018
6. Report from the Chairman of the Board.
7. Report from the Treasurer of the Board.
8. Approval of the Audited Financial Statements
9. Appointment of Auditors for the 2019 fiscal year
10. Approval of the actions taken by the Board of Directors during the previous year
11. Introduction of nominated candidates
12. Election of Directors
13. Other Business
14. Adjournment of Meeting

**KNOX OAKVILLE NON-PROFIT HOMES FOR SENIORS INC.  
MINUTES OF THE ANNUAL GENERAL MEETING  
Sunday, March 18, 2018**

**The Annual General Meeting of Knox Oakville Non-Profit Homes for Seniors Inc. (the "Corporation") was held on Sunday, March 18, 2018 at Knox Presbyterian Church, 89 Dunn Street, Oakville, Ontario at 12 Noon.**

**MEMBERS PRESENT**

Roma Browne  
Clayton Shold  
Alex McLean  
Alastair Stewart  
Duncan Turnbull  
Molly Fraser  
David Newton  
Hugh Cass  
Margaret Summerhayes  
Phil Carey  
Richard Roberts  
Susan Roberts

Sharlene Hunt  
Barbara Browne  
Warren Browne  
Malcolm Surycz  
Luella Frazer  
Archie McCallum  
Tom Richards  
Rudy Platiel  
Agatha Platiel  
Keith Wilkinson  
Helen Goggin

**GUESTS**

Betty McLean  
Ina Hodgkin  
Carol Wilkinson

George Farrow  
Heather Carey  
Gary Frazer

**STAFF**

Kim Babiski

**REGRETS**

John Platt, Carl Nelson

The meeting was called to order at approximately 11:50 a.m. by the Chairman of the Board of Directors, Clayton Shold, and Jan Hieminga gave the opening prayer.

Duncan Turnbull, acting as Secretary of the meeting, reported that notice of the meeting had been duly given to the members by mail and by publication in the church bulletin. A quorum was declared.

**INTRODUCTION OF GUESTS:**

The Chair welcomed everyone to the meeting.

**ADOPTION OF AGENDA:**

**MOTION: That the agenda be adopted.**

**Moved:** Alex McLean  
**Seconded:** Barbara Browne

**CARRIED**

**APPROVAL OF THE 2017 ANNUAL GENERAL MEETING MINUTES:**

The Chair requested consideration of the minutes of the 2017 Annual General Meeting printed in the Annual Report.

**MOTION: That the minutes of the Annual General Meeting held on Sunday, March 12, 2017 be approved.**

**Moved:** Agatha Platiel  
**Seconded:** Keith Wilkinson

**CARRIED**

**REPORTS**

The Chair called attention to the Report of the Chairman of the Board in the Annual Report and reviewed the report in considerable detail.

**MOTION: That the Chairman's Report be adopted.**

**Moved:** Keith Wilkinson  
**Seconded:** Tom Richards

**CARRIED**

**FINANCIAL STATEMENTS:**

Tom Richards reviewed the financials.

**MOTION: That the treasurer’s written report be approved.**

**Moved:** Marg Summerhayes

**Seconded:** Hugh Cass

**CARRIED**

**MOTION: That the audited financial statements for the fiscal year ended November 30, 2017, and the Auditor’s Report therein be approved.**

**Moved:** Tom Richards

**Seconded:** Sharlene Hunt

**CARRIED**

**APPOINTMENT OF AUDITOR:**

**MOTION: That BDO Canada LLP be appointed as the auditor of the Corporation for the fiscal year ending November 30, 2018.**

**Moved:** Tom Richards

**Seconded:** Barbara Browne

**CARRIED**

**CONFIRMATION OF ACTS:**

**MOTION: That all acts, contracts, proceedings, appointments, elections and payments made, done or taken by the directors and officers of the Corporation since the last annual general meeting of the Corporation be and the same are hereby approved, sanctioned and confirmed.**

**Moved:** Phil Carey

**Seconded:** Warren Browne

**CARRIED**

**ELECTION OF DIRECTORS:**

The Chair introduced candidates who have been asked to serve as directors:

Duncan Turnbull, Alex McLean, Peter Kaps, Keith Wilkinson, John Platt and Dave Newton.

**MOTION: That Duncan Turnbull, Alex McLean, Peter Kaps and Keith Wilkinson be elected for a three year term and that John Platt and Dave Newton be elected for a two year term.**

**Moved:** Warren Browne  
**Seconded:** Richard Roberts

**CARRIED**

**OTHER BUSINESS:**

None.

**ADJOURNMENT:**

There being no further business, the meeting was adjourned.

**MOTION: That the meeting be adjourned.**

**Moved:** Warren Browne  
**Seconded:** Keith Wilkinson

**CARRIED**

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Chairman

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Secretary

## **KNOX OAKVILLE NON-PROFIT HOMES FOR SENIORS INC.**

### **CHAIRMAN'S REPORT**

I have said before; Knox Heritage Place is a very special environment. We have been told repeatedly by tenants and others that it is a residence in a class by itself.

There are 90 tenants who call KHP home. Many have done so for decades. One of the first to move in did so in March 1986, a full 33 years ago. That someone is Iris Mole.

This past May, Iris' family hosted a 100<sup>th</sup> Birthday party for Iris. The green room was full of family and friends who came by to extend best wishes. Mayor Rob Burton stopped by to congratulate Iris on her becoming a centenarian. He presented her with a plaque from the Town of Oakville to recognize the occasion. It was fun event!

The Board meets twice a year with residents, in the Spring we host a meeting to obtain feedback and answer questions. We are encouraged by how many positive comments we receive. We host a wine and cheese in November, where Board members become waiters and serve refreshments and hors d'oeuvres in the Green room. This has become a tradition everyone looks forward to.

A genuine feeling of family exists within the building. This happens for a few reasons. The Board establishes policies that firstly focus on the safety and wellbeing of residents. We believe also that every tenant is special and will be treated equally and with respect. We are fortunate to have staff who go well beyond maintaining the premises and collecting rent. They encourage activities and events that bring people together for physical and social interaction. They take time to listen to concerns and suggestions. Our low turnover and waiting list attest to the value people place on KHP, and why they are happy to call it home.

This AGM marks an end to my term on the Board, along with Tom Richards, Archie McCallum, and Hugh Cass as we have served our maximum six years. I want to thank these three for their excellent contribution and many hours of service. Thank you to John Platt who is stepping down as Director due to other commitments. To the remaining Directors I extend my gratitude for your support and dedication to KHP. To those joining the Board I extend best wishes as we pass the torch. Steady as she goes.

Sincerely,



Clayton Shold  
Director and Chairman of the Board

# **KNOX OAKVILLE NON-PROFIT HOMES FOR SENIORS INC.**

## **TREASURER'S REPORT**

Once again it is my pleasure to comment on the Financial Statements for the fiscal year.

This year we lost a talented individual, Kim Babiski, who kept our financial affairs in good order and ensured that our tenants' concerns were always looked after in a thoughtful and caring way. The Board hired another very experienced individual who has been nothing short of spectacular in keeping up with the daily tasks of running a first-class operation. Welcome aboard Melissa Zentner. It would be remiss if I did not mention Kelly Steenson, who offered her services in mentoring these professional people, bringing them up to speed as to what was required at Knox.

Our group, the Audit and Investment Committee consisted of Keith Wilkinson, John Platt and me. I would like to thank each member for their efforts of overseeing the Replacement Reserve Fund.

### **Revenues from Operations**

Total revenues were reported to be \$959,740 including rent received, subsidies from Canada Mortgage Housing Corporation and the Region of Halton, along with parking, laundry and guest room rental revenue.

### **Expenditures**

Expenditures offsetting revenues totaled \$959,407. These included items such as staffing costs, building maintenance and repairs, utilities, insurance, property taxes and professional fees.

### **Replacement Reserve Fund**

Each year we are required to allocate \$55,000.00 to our Replacement Reserve. We obtained approval from the Halton Region to contribute an additional \$30,000 in 2018.

The fund balance at the beginning of the year was \$829,678. The balance at the end of the fiscal year was \$909,457. Due to the stock market's poor performance over the year our Reserve Fund did not increase as anticipated however the first two months of 2019 have shown a strong recovery and our committee feels confident in maintaining our investments.

It should be noted once again that we had an excess of revenue over expenditures amounting to \$333.00. Thank you and congratulations to Melissa.

At this time, I would like to take the opportunity to thank all the Board and Staff Members whom I have worked with for the past six years. These people deserve applause for the work and time they have tirelessly donated in making Knox Heritage Place a charming place to call home. I will miss you.

Respectively submitted,

Tom Richards  
Director and Treasurer

**KNOX OAKVILLE NON-PROFIT HOME FOR SENIORS INC.**

**DIRECTORS' REPORT**

**TO THE CORPORATION MEMBERS OF  
KNOX OAKVILLE NON-PROFIT HOMES FOR SENIORS INC.**

The comparative financial statements attached for the year ended November 30, 2018 have been prepared in accordance with generally accepted accounting policies as outlined within the significant accounting policies section of the audited financial statements. The financial statements have been prepared by competent personnel and approved by the Board, which is responsible for the integrity and objectivity of the information contained therein.

The Corporation maintains books of account, financial and management controls and information systems, together with management practices designed to provide reasonable assurances that reliable and accurate financial information is available on a timely basis. Assets are safeguarded and controlled and resources are managed economically and efficiently in accordance with the Corporation's objectives.

It is the opinion of this Board that these financial statements present fairly the financial position of the Corporation, the results of its operations and the changes in its financial position within reasonable limits of materiality and within the framework of the accounting policies as outlined within the significant accounting policies section of the audited financial statements.

In addition, the firm of BDO Canada LLP, was engaged to conduct an audit of the financial statements for the year ended November 30, 2018, and their unqualified report to the Members of the Corporation is attached to this Annual Report.

**ON BEHALF OF THE BOARD OF DIRECTORS**

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**Clayton Shold**  
**Director, Chairman and President**  
**Oakville, Ontario**  
**March 2019**

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**Tom Richards**  
**Director and Treasurer**  
**Oakville, Ontario**  
**March 2019**

**Knox Oakville Non-Profit  
Homes For Seniors Inc.  
Financial Statements  
For the year ended November 30, 2018**

**Knox Oakville Non-Profit Homes for Seniors Inc.**  
**Financial Statements**  
For the year ended November 30, 2018

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BDO Canada LLP  
3115 Harvester Road, Suite 400  
Burlington ON L7N 3N8 Canada

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## Independent Auditor's Report

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**To the Board of Directors of  
Knox Oakville Non-Profit Homes for Seniors Inc.**

We have audited the accompanying financial statements of Knox Oakville Non-Profit Homes for Seniors Inc. (the "Corporation"), which comprise the statement of financial position as at November 30, 2018, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of the mortgage agreement between Knox Oakville Non-Profit Homes for Seniors Inc. and Canada Mortgage and Housing Corporation (CMHC), as described in Note 1.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the mortgage agreement between Knox Oakville Non-Profit Homes for Seniors Inc. and CMHC, as described in Note 1, 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.

### **Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the Corporation'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 Corporation'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 Knox Oakville Non-Profit Homes for Seniors Inc. as at November 30, 2018 and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting provisions of the mortgage agreement between Knox Oakville Non-Profit Homes for Seniors Inc. and CMHC as described in Note 1.

### **Basis of Accounting and Restriction on Use**

Without modifying our opinion, we draw attention to Note 1 in the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Knox Oakville Non-Profit Homes for Seniors Inc. to comply with the reporting provisions of the mortgage agreement referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Directors of Knox Oakville Non-Profit Homes for Seniors Inc. and CMHC and should not be used by parties other than the Directors of Knox Oakville Non-Profit Homes for Seniors Inc. or CMHC.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Burlington, Ontario  
February 26, 2019

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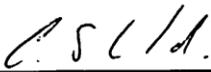
**Knox Oakville Non-Profit Homes for Seniors Inc.  
Statement of Financial Position**

November 30	2018	2017
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 103,436	\$ 76,482
Accounts receivable (Note 2)	14,197	15,771
Prepaid expenses	11,450	26,610
	129,083	118,863
<b>Replacement reserve investments (Note 3)</b>	909,457	829,678
<b>Capital assets (Note 4)</b>	606,085	837,491
	\$ 1,644,625	\$ 1,786,032

**Liabilities and Net Assets**

<b>Current</b>		
Accounts payable (Note 5)	\$ 94,310	\$ 87,111
Tenant deposits	49,404	46,383
Current portion of mortgage payable (Note 6)	236,597	231,406
	380,311	364,900
<b>Mortgage payable (Note 6)</b>	406,178	642,775
	786,489	1,007,675
<b>Net assets</b>		
Replacement reserve fund (Note 7)	909,457	829,678
Deficit (Note 8)	(51,321)	(51,321)
	858,136	778,357
	\$ 1,644,625	\$ 1,786,032

On behalf of the Board:

  
\_\_\_\_\_

Clayton Shold  
Director, Chairman and President

  
\_\_\_\_\_

Tom Richards  
Director and Treasurer

**Knox Oakville Non-Profit Homes for Seniors Inc.**  
**Statement of Operations and Changes in Net Assets**

<b>For the year ended November 30</b>	<b>2018</b>	<b>2</b>
<b>Revenue</b>		
Rental		
Income tested	\$ 314,011	\$ 307,498
Non-income tested	<u>495,487</u>	<u>477,981</u>
	<b>809,498</b>	785,479
Government subsidies and assistance:		
Canada Mortgage and Housing Corporation Subsidy	5,533	5,533
Region of Halton Subsidy	117,937	120,670
Miscellaneous (laundry, parking, etc.)	<u>26,772</u>	<u>24,850</u>
<b>Revenue from operations</b>	<b>959,740</b>	936,532
<b>Transfer from replacement reserve (Note 7)</b>	<u>-</u>	<u>97,678</u>
<b>Total revenue after transfer</b>	<b><u>959,740</u></b>	<b><u>1,034,210</u></b>
<b>Expenditures</b>		
Administration	98,225	93,387
Allocation for replacement reserve	85,000	75,000
Amortization	231,406	226,332
Gas	20,864	16,064
Hydro	74,067	81,416
Insurance	18,692	17,684
Interest paid on tenant deposits	847	655
Janitorial services	73,669	70,678
Maintenance and repairs	145,715	151,362
Mortgage interest	16,631	21,716
Professional fees	24,222	19,264
Property maintenance	25,099	16,217
Property taxes	124,149	121,554
Replacement reserve expenditure	-	97,678
Water	<u>20,821</u>	<u>24,834</u>
	<b><u>959,407</u></b>	<b><u>1,033,841</u></b>
<b>Excess of revenue over expenditures for the year</b>	<b>333</b>	369
<b>Subsidy repayable to Region of Halton</b>	<u>(333)</u>	<u>(369)</u>
	-	-
<b>Deficit, beginning of year</b>	<u>(51,321)</u>	<u>(51,321)</u>
<b>Deficit, end of year</b>	<b><u>\$ (51,321)</u></b>	<b><u>\$ (51,321)</u></b>

The accompanying notes are an integral part of these financial statements.

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**Knox Oakville Non-Profit Homes for Seniors Inc.**  
**Statement of Cash Flows**

<b>For the year ended November 30</b>	<b>2018</b>	<b>2</b>
<b>Cash flows from operating activities</b>		
Adjustments to reconcile excess of revenue over expenditure for the year to net cash provided by operating activities		
Amortization	\$ 231,406	\$ 226,332
Changes in non-cash working capital balances		
Accounts receivable	1,574	3,258
Prepaid expenses	15,160	(14,831)
Accounts payable	7,199	(1,381)
Tenant deposits	3,021	5,020
	<hr/>	<hr/>
	258,360	218,398
<b>Cash flows from financing activity</b>		
Repayment of mortgage	(231,406)	(226,333)
	<hr/>	<hr/>
<b>Changes in cash during the year</b>	26,954	(7,935)
<b>Cash, beginning of year</b>	76,482	84,417
	<hr/>	<hr/>
<b>Cash, end of year</b>	\$ 103,436	\$ 76,482

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The accompanying notes are an integral part of these financial statements.

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# Knox Oakville Non-Profit Homes for Seniors Inc.

## Notes to Financial Statements

**November 30, 2018**

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### 1. Significant Accounting Policies

#### **Nature of Operations**

Knox Oakville Non-Profit Homes for Seniors Inc. (the "Corporation") is a not-for-profit Corporation, without share capital, under the laws of Ontario and, as such, is exempt from income tax. The Corporation owns and operates Knox Heritage Place, a seniors' residence.

#### **Basis of Accounting**

These financial statements have been prepared in accordance with the significant accounting policies set out below as required by Canada Mortgage and Housing Corporation (CMHC), under Section 95 of the National Housing Act:

- (i) capital assets purchased from the replacement reserve are charged against the Replacement Reserve Fund, rather than being capitalized on the statement of financial position and amortized over their estimated useful lives. All other capital assets are expensed as incurred.
- (ii) interfund transfers to the Replacement Reserve Fund are shown on the Statement of Operations rather than being presented in the Statement of Changes in Net Assets; and
- (iii) annual amortization of capital assets is equal to the principal repaid during the year on the related mortgage.
- (iv) a replacement reserve is appropriated from operations annually.

Except as noted above, the Corporation's accounting policies are in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), which is one of the financial reporting frameworks in Canadian generally accepted accounting principles.

#### **Financial Instruments**

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, mutual funds and portfolio shares traded in an active market are reported at fair value. In addition, all bonds and debentures have been designated to be in the fair value category. Realized or unrealized gains and losses on Replacement Reserve investments are reported in the Replacement Reserve Fund. All other realized or unrealized gains and losses are reported in operations.

All other financial instruments are subsequently reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

#### **Replacement Reserve Fund**

Pursuant to the agreement with the Canadian Mortgage and Housing Corporation, an annual sum of \$55,000, or an amount as approved for a given year, must be credited to the replacement reserve fund. This fund and the accumulated interest and investment income must be invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or invested in any other way that may receive CMHC approval from time to time. Any funds used from the account must be approved by CMHC.

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## **Knox Oakville Non-Profit Homes for Seniors Inc.**

### **Notes to Financial Statements**

**November 30, 2018**

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#### **1. Significant Accounting Policies (Continued)**

##### **Subsidy from Canada Mortgage and Housing Corporation**

The Corporation receives a subsidy under a program administered by CMHC. CMHC provides mortgage interest assistance to reduce the market interest rate charged on the mortgage to the Corporation to correspond with specific requirements of Section 95 of the National Housing Act.

##### **Capital Assets**

Capital assets are stated at cost less accumulated amortization. In accordance with the CMHC policy, the annual amortization of buildings and equipment is equal to the principal repaid during the year on the related mortgage.

##### **Revenue Recognition**

Rental revenue includes rents earned from tenants under lease agreements and is recognized in accordance with the tenant lease agreements.

Rent subsidies approved but not received at the end of an accounting period are accrued. Where a portion of rent subsidies relate to a future period, it is deferred and recognized in that subsequent period.

Investment income is recognized when earned.

##### **Tenant Deposits**

Tenant deposits represent the last month's rental payments received from tenants. Interest is paid on the deposits annually at the effective rate of return on investment.

##### **Foreign Currency Translation**

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expenditure is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date.

##### **Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

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**Knox Oakville Non-Profit Homes for Seniors Inc.**  
**Notes to Financial Statements**

**November 30, 2018**

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**2. Accounts Receivable**

	<b>2018</b>	2017
Due from Canada Mortgage and Housing Corporation	\$ 461	\$ 461
Due from Region of Halton	7,475	7,821
HST receivable	4,384	6,365
Rent	1,877	1,124
	<b>\$ 14,197</b>	<b>\$ 15,771</b>

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**3. Replacement Reserve Investments**

	<b>2018</b>		2017	
	Fair Value	Cost	Fair Value	Cost
Cash	\$ 73,797	\$ 73,797	\$ 37,339	\$ 37,339
High interest savings account	10,380	10,380	7,938	7,938
Bonds and preference shares	413,942	378,631	242,597	245,984
Portfolio shares	411,338	403,873	541,804	489,889
	<b>\$ 909,457</b>	<b>\$ 866,681</b>	<b>\$ 829,678</b>	<b>\$ 781,150</b>

The replacement reserve investments are to be used for capital expenditures and major repairs.

The bonds and preference shares earn interest at rates ranging from 2.1% to 6.00% per annum with bond maturity dates from December 1, 2018 to March 30, 2027.

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**4. Capital Assets**

	<b>2018</b>		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 333,614	\$ -	\$ 333,614	\$ -
Building	3,514,099	3,242,991	3,514,099	3,012,833
Furniture and equipment	18,968	17,605	18,968	16,357
	<b>\$ 3,866,681</b>	<b>\$ 3,260,596</b>	<b>\$ 3,866,681</b>	<b>\$ 3,029,190</b>
Net book value		<b>\$ 606,085</b>		<b>\$ 837,491</b>

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**Knox Oakville Non-Profit Homes for Seniors Inc.**  
**Notes to Financial Statements**

**November 30, 2018**

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**5. Accounts Payable**

	<b>2018</b>	2017
Mortgage interest	\$ 1,189	\$ 1,617
Provincial subsidy	333	369
Trade accounts	<b>92,788</b>	85,125
	<b>\$ 94,310</b>	\$ 87,111

Included in trade accounts are government remittances payable of \$4,299 (2017 - \$4,136).

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**6. Mortgage Payable**

	<b>2018</b>	2017
Mortgage loan, repayable \$20,706 monthly including interest at 2.23%, secured by a mortgage on the property, an assignment of rents and the guarantee of the Canada Mortgage and Housing Corporation, due and renewable on July 1, 2021	\$ 642,775	\$ 874,181
Less: current portion	<b>236,597</b>	231,406
	<b>\$ 406,178</b>	\$ 642,775

Principal repayments in the next three years are as follows:

2019	\$	236,597
2020		241,903
2021		164,275
	\$	642,775

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## Knox Oakville Non-Profit Homes for Seniors Inc. Notes to Financial Statements

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### 7. Replacement Reserve Fund

Pursuant to the provisions of certain agreements with the Canada Mortgage and Housing Corporation and the National Housing Act, the Corporation is required to maintain funds in reserves, which may only be used to replace appliances and building equipment, including roofs, as required in the future. These reserves are to be funded as described below and a cash deposit for each project has been segregated to be used solely for this purpose. Interest earned on funds specifically segregated is credited to the reserve account and not recorded as operating revenue.

	2018	2017
<b>Balance</b> , beginning of year	<b>\$ 829,678</b>	\$ 801,000
Plus:		
Allocation for the year (Note 1)	<b>85,000</b>	75,000
Investment income	<b>10,095</b>	20,722
Less:		
Transfer to operations	-	(97,678)
Investment management fees	<b>(9,564)</b>	(9,059)
Change in unrealized gains on financial assets	<b>(5,752)</b>	39,693
<b>Balance</b> , end of year	<b>\$ 909,457</b>	\$ 829,678

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### 8. Deficiency

The deficiency of \$51,321 was created in the 2007 fiscal year when the Corporation elected to change its accounting policy for amortization to reflect the accounting principles as recommended by Canada Mortgage Housing Corporation.

Due to the restatement of the financial statements prior to the 2007 fiscal year, additional amortization was recorded that was not funded and a deficit for the prior years resulted.

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### 9. Federal Assistance Payments

The Corporation has received Federal assistance through the Regional Municipality of Halton pursuant to Section 95 of the National Housing Act to reduce operating costs and rentals to enable the project to provide housing to low income individuals. This assistance is available over the amortization period of the mortgage payable, to a maximum of 35 years.

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### 10. Provincial Rent Subsidies

The Regional Municipality of Halton provides subsidies to cover operating deficits based on specific Provincial Housing Act Programs.

## 11. Financial Instrument Risks

The Corporation may be exposed to a variety of financial risks. These risks have not changed from the previous year.

### **Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is subject to interest rate risk on its mortgage payable and bonds and debentures.

### **Liquidity Risk**

Liquidity risk is the risk that the Corporation encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Corporation will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and mortgage payable.

### **Market Risk**

The Corporation is exposed to fluctuations in bond and equity markets on its replacement reserve fund investments.

### **Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Approximately 14% (2017 - 16%) of total investments are in USD (approximately 4% of cash (2017 - 0%) and 28% of portfolio shares (2017 - 23%). As at year end, the investment balance is shown in CAD, having been converted from USD. Fair value of instruments in USD is \$89,673 (2017 - \$94,853).

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## 12. Contingent Liability

A lawsuit has been filed against the Corporation for an incident, which arose in the ordinary course of operations. In the opinion of management, the outcome of the lawsuit is not yet determinable. Should any loss result from the resolution of this claim, such loss will be charged to operations in the year of resolution.