

**Knox Oakville Non-Profit  
Homes For Seniors Inc.  
Financial Statements  
For the year ended November 30, 2019**

**Knox Oakville Non-Profit Homes for Seniors Inc.**  
**Financial Statements**  
For the year ended November 30, 2019

---

**Contents**

<b>Independent Auditor's Report</b>	<b>2 - 3</b>
<b>Financial Statements</b>	
Statement of Financial Position	<b>4</b>
Statement of Operations and Changes in Net Assets	<b>5</b>
Statement of Cash Flows	<b>6</b>
Notes to Financial Statements	<b>7 - 12</b>



Tel: 905 639 9500  
Fax: 905 633 4939  
Toll-free: 888 236 2383  
www.bdo.ca

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

---

## Independent Auditor's Report

---

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

### Opinion

We have audited the financial statements of Knox Oakville Non-Profit Homes for Seniors Inc. (the "Organization"), which comprise the statement of financial position as at November 30, 2019, and the statements of operations and changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at November 30, 2019, and its results of 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 Canada Mortgage and Housing Corporation ("CMHC"), as described in Note 1.

### 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our 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 - Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Organization to comply with the financial reporting provisions of the mortgage agreement referred to above. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### Responsibilities of Management and Those Charged with Governance 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 referred to above 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 relating 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.



### **Auditor's 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 auditor's 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 these 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 auditor's 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 auditor's report. However, future events or conditions may cause the Organization 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.

We 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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Burlington, Ontario  
February 6, 2020

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

**November 30** **2019** **2018**

### Assets

#### Current

Cash	\$	<b>66,653</b>	\$	103,436
Accounts receivable (Note 2)		<b>19,427</b>		14,197
Prepaid expenses		<b>11,705</b>		11,450
		<b>97,785</b>		129,083

Replacement reserve investments (Note 3)		<b>1,024,026</b>		909,457
Capital assets (Note 4)		<b>369,488</b>		606,085

**\$ 1,491,299** **\$ 1,644,625**

### Liabilities and Net Assets

#### Current

Accounts payable (Note 5)	\$	<b>58,619</b>	\$	94,310
Tenant deposits		<b>53,797</b>		49,404
Current portion of mortgage payable (Note 6)		<b>241,903</b>		236,597
		<b>354,319</b>		380,311

Mortgage payable (Note 6)		<b>164,275</b>		406,178
---------------------------	--	----------------	--	---------

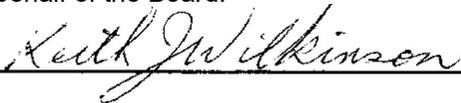
**518,594** **786,489**

#### Net assets

Replacement reserve fund (Note 7)		<b>1,024,026</b>		909,457
Deficit (Note 8)		<b>(51,321)</b>		(51,321)
		<b>972,705</b>		858,136

**\$ 1,491,299** **\$ 1,644,625**

On behalf of the Board:



Keith Wilkinson  
Director, Chairman and President



Ian Molyneux  
Director and Treasurer

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

## 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>2019</b>	<b>2018</b>
<b>Revenue</b>		
Rental		
Income tested	\$ 314,011	\$ 314,011
Non-income tested	512,680	495,487
	826,691	809,498
Government subsidies and assistance:		
Canada Mortgage and Housing Corporation Assistance	5,533	5,533
Region of Halton Subsidy	118,370	117,937
Miscellaneous (laundry, parking, etc.)	27,249	26,772
	977,843	959,740
<b>Revenue from operations</b>		
<b>Expenditures</b>		
Administration	86,883	98,225
Allocation for replacement reserve	95,000	85,000
Amortization	236,597	231,406
Gas	19,508	20,864
Hydro	68,418	74,067
Insurance	19,407	18,692
Interest paid on tenant deposits	951	847
Janitorial services	74,077	73,669
Maintenance and repairs	170,792	145,715
Mortgage interest	11,433	16,631
Professional fees	24,226	24,222
Property maintenance	23,787	25,099
Property taxes	127,241	124,149
Water	19,196	20,821
	977,516	959,407
<b>Excess of revenue over expenditures for the year</b>	<b>327</b>	<b>333</b>
<b>Subsidy repayable to Region of Halton</b>	<b>(327)</b>	<b>(333)</b>
	-	-
<b>Deficit, beginning of year</b>	<b>(51,321)</b>	<b>(51,321)</b>
<b>Deficit, end of year</b>	<b>\$ (51,321)</b>	<b>\$ (51,321)</b>

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

---

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

For the year ended November 30	2019	2018
<b>Cash flows from operating activities</b>		
Adjustments to reconcile excess of revenue over expenditures for the year to net cash provided by operating activities		
Amortization	\$ 236,597	\$ 231,406
Changes in non-cash working capital balances		
Accounts receivable	(5,230)	1,574
Prepaid expenses	(255)	15,160
Accounts payable	(35,691)	7,199
Tenant deposits	4,393	3,021
	199,814	258,360
<b>Cash flows from financing activity</b>		
Repayment of mortgage	(236,597)	(231,406)
<b>Changes in cash during the year</b>	<b>(36,783)</b>	<b>26,954</b>
<b>Cash, beginning of year</b>	<b>103,436</b>	<b>76,482</b>
<b>Cash, end of year</b>	<b>\$ 66,653</b>	<b>\$ 103,436</b>

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

---

# Knox Oakville Non-Profit Homes for Seniors Inc.

## Notes to Financial Statements

November 30, 2019

---

### 1. Significant Accounting Policies

#### Nature of Operations

Knox Oakville Non-Profit Homes for Seniors Inc. (the "Organization") is a not-for-profit Organization, without share capital, under the laws of Ontario and, as such, is exempt from income tax. The Organization 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 as part of operations on the Statement of Operations and Changes in Net Assets rather than being presented as a change to 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 Organization'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.

---

# Knox Oakville Non-Profit Homes for Seniors Inc.

## Notes to Financial Statements

**November 30, 2019**

---

### 1. Significant Accounting Policies (Continued)

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

The Organization 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 Organization 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.

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

Investment income and miscellaneous revenue 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.

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

**November 30, 2019**

### 2. Accounts Receivable

	2019		2018	
Due from Canada Mortgage and Housing Corporation	\$	461	\$	461
Due from Region of Halton		11,208		7,475
HST receivable		6,717		4,384
Rent		1,041		1,877
	<b>\$</b>	<b>19,427</b>	<b>\$</b>	<b>14,197</b>

### 3. Replacement Reserve Investments

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Cash	\$ 79,078	\$ 79,078	\$ 73,797	\$ 73,797
High interest savings account	21,677	21,677	10,380	10,380
Bonds and preference shares	295,705	305,252	413,942	378,631
Portfolio shares	627,566	486,459	411,338	403,873
	<b>\$ 1,024,026</b>	<b>\$ 892,466</b>	<b>\$ 909,457</b>	<b>\$ 866,681</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 1.58% to 4.7% per annum with bond maturity dates from December 15, 2020 to March 30, 2027.

### 4. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 333,614	\$ -	\$ 333,614	\$ -
Building	3,514,099	3,478,338	3,514,099	3,242,991
Furniture and equipment	18,968	18,855	18,968	17,605
	<b>\$ 3,866,681</b>	<b>\$ 3,497,193</b>	<b>\$ 3,866,681</b>	<b>\$ 3,260,596</b>
Net book value		<b>\$ 369,488</b>		<b>\$ 606,085</b>

---

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

**November 30, 2019**

---

### 5. Accounts Payable

	2019	2018
Mortgage interest	\$ 751	\$ 1,189
Provincial subsidy	329	333
Trade accounts	57,539	92,788
	\$ 58,619	\$ 94,310

Included in trade accounts are government remittances payable of \$3,923 (2018 - \$4,299).

---

### 6. Mortgage Payable

	2019	2018
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	\$ 406,178	\$ 642,775
Less: current portion	241,903	236,597
	\$ 164,275	\$ 406,178

Principal repayments in the next two years are as follows:

2020		\$ 241,903
2021		164,275
		\$ 406,178

---

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

**November 30, 2019**

---

### 7. Replacement Reserve Fund

Pursuant to the provisions of certain agreements with the Canada Mortgage and Housing Corporation and the National Housing Act, the Organization 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.

	2019	2018
<b>Balance</b> , beginning of year	<b>\$ 909,457</b>	\$ 829,678
Allocation from operations (Note 1)	<b>95,000</b>	85,000
Investment income	<b>16,963</b>	10,095
Change in unrealized gains (losses) on investments	<b>88,677</b>	(5,752)
	<b>200,640</b>	89,343
Increase in replacement reserve fund before expenditures		
Replacement reserve expenditures	<b>75,541</b>	-
Investment management fees	<b>10,530</b>	9,564
	<b>86,071</b>	9,564
<b>Balance</b> , end of year	<b>\$ 1,024,026</b>	\$ 909,457

---

### 8. Deficiency

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

---

### 9. Federal Assistance Payments

The Organization 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.

---

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

**November 30, 2019**

---

### **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 Organization 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 Organization is subject to interest rate risk on its mortgage payable and investments in bonds and preference shares.

#### **Liquidity Risk**

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization 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 Organization 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 13% (2018 - 14%) of total investments are in USD (approximately 99% of cash (2018 - 4%) and 19% of portfolio shares (2018 - 28%). As at year end, the investment balance is shown in CAD, having been converted from USD. Fair value of preferred shares in USD is \$90,718 (2018 - \$89,673).

---

### **12. Contingent Liability**

A lawsuit has been filed against the Organization 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.