

Knox Heritage Place Inc.
Financial Statements
For the year ended December 31, 2024

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For the year ended December 31, 2024

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Independent Auditor's Report

To the Board of Directors of
Knox Heritage Place Inc.

Opinion

We have audited the financial statements of Knox Heritage Place Inc. (the "Organization"), which comprise the statement of financial position as at December 31, 2024, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2024, 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.

Basis for Qualified Opinion

The Organization's promissory note was recorded at cost at initial recognition. Canadian accounting standards for not-for-profit organizations requires loans to initially be recognized at fair value and subsequently at amortized cost. As described in Note 7 to the financial statements, the promissory note bears interest at 3.5% per annum which was not the prevailing market rate for similar instruments at the time the note was issued. Had the promissory note been initially recorded at fair value, and subsequently at amortized cost, the promissory note payable would have decreased, and net assets (deficiency) would have increased by \$220,187 (2023 - \$249,522) as at December 31, 2024 and interest expense would have increased by \$29,335 (2023 - \$28,993) and excess (deficiency) of revenue over expenses would have increased by \$29,335 (2023 - \$28,993) for the year ended December 31, 2024. Our audit opinion on the financial statements for the year ended December 31, 2023 was modified because of the effects of this departure from Canadian accounting standards for not-for-profit organizations.

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 qualified opinion.

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 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.

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.



Independent Auditor's Report (continued)

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.

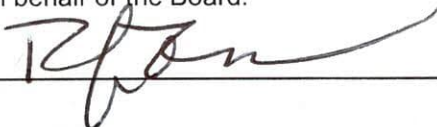
BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
March 19, 2025


Knox Heritage Place Inc. Statement of Financial Position

December 31	2024	2023
Assets		
Current		
Cash	\$ 77,337	\$ 12,077
Short-term investments (Note 2)	563,421	709,633
Accounts receivable (Note 3)	62,390	39,893
Prepaid expenses	39,340	41,249
	742,488	802,852
Long-term investments (Note 2)	962,648	818,423
Capital assets (Note 4)	7,420,724	7,394,408
	\$ 9,125,860	\$ 9,015,683
Liabilities and Net Assets (Deficiency)		
Current		
Accounts payable (Note 5)	\$ 157,022	\$ 69,970
Tenant deposits	45,024	41,553
Current portion of mortgage payable (Note 6)	105,255	100,732
Deferred revenue	61,869	-
	369,170	212,255
Mortgage payable (Note 6)	5,213,451	5,313,096
Promissory note payable (Note 7 and 8)	3,500,000	3,500,000
	9,082,621	9,025,351
Net assets (deficiency)		
Operating fund	(1,482,830)	(9,668)
Capital reserve fund	1,526,069	-
	43,239	(9,668)
	\$ 9,125,860	\$ 9,015,683

On behalf of the Board:



Richard Fortier
Director, Chair and President



Rob Harvey
Director and Treasurer

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

Knox Heritage Place Inc. Statement of Operations and Changes in Net Assets

For the year ended December 31

2024

2023

	Operating Fund	Capital Reserve Fund	Total	Total
Revenue				
Rental				
Income tested	\$ 313,719	\$ -	\$ 313,719	\$ 299,442
Non-income tested	561,009	-	561,009	545,434
	874,728	-	874,728	844,876
Government subsidies and assistance:				
Regional Municipality of Halton subsidy (Note 9)	251,293	-	251,293	247,959
The Minister of Employment and Social Development	-	-	-	511
Investment gain	138,259	-	138,259	74,966
Miscellaneous income (laundry, parking, etc.)	31,630	-	31,630	30,849
	1,295,910	-	1,295,910	1,199,161
Expenditures				
Administration	22,757	-	22,757	23,375
Amortization	110,867	-	110,867	111,751
Gas	21,164	-	21,164	40,628
Hydro	79,615	-	79,615	75,337
Insurance	29,750	-	29,750	49,772
Interest paid on tenant deposits	1,127	-	1,127	966
Maintenance and repairs	113,076	-	113,076	75,182
Mortgage interest	242,840	-	242,840	267,973
Professional fees	77,676	-	77,676	52,997
Promissory note interest (Note 7 and 8)	122,500	-	122,500	122,500
Property taxes	149,014	-	149,014	141,684
Salaries and benefits	246,935	-	246,935	225,470
Water	25,682	-	25,682	23,196
	1,243,003	-	1,243,003	1,210,831
Excess (deficiency) of revenue over expenditures for the year	52,907	-	52,907	(11,670)
Net assets (deficiency), beginning of year	(9,668)	-	(9,668)	2,002
Interfund transfers	(1,526,069)	1,526,069	-	-
Net assets (deficiency), end of year	\$ (1,482,830)	\$ 1,526,069	\$ 43,239	\$ (9,668)

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

Knox Heritage Place Inc. Statement of Cash Flows

For the year ended December 31	2024	2023
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures for the year	\$ 52,907	\$ (11,670)
Adjustments to reconcile excess (deficiency) of revenue over expenditures for the year to net cash provided by operating activities		
Amortization	105,256	106,140
Amortization of deferred financing costs	5,611	5,611
Unrealized gain on investments	(85,650)	(14,175)
Changes in non-cash working capital balances		
Accounts receivable	(22,497)	(14,142)
Prepaid expenses	1,909	32,358
Accounts payable	87,052	4,484
Tenant deposits	3,471	(2,427)
Deferred revenue	61,869	(5,319)
	209,928	100,860
Cash flows from investing activities		
Purchase of capital assets	(131,572)	(19,830)
Purchase of investments	(1,378,271)	(1,134,406)
Proceeds on sale and redemption of investments	1,465,908	1,132,542
	(43,935)	(21,694)
Cash flows from financing activity		
Repayment of mortgage	(100,733)	(96,404)
Increase (decrease) in cash during the year	65,260	(17,238)
Cash, beginning of year	12,077	29,315
Cash, end of year	\$ 77,337	\$ 12,077

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

Knox Heritage Place Inc.

Notes to Financial Statements

December 31, 2024

1. Significant Accounting Policies

Nature of Operations

Knox Heritage Place 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. The Organization was incorporated on November 12, 2020 and commenced operations on April 1, 2022.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Fund Accounting

The Organization follows the deferral method of accounting for contributions. On December 31, 2024, the Organization has changed its presentation to fund accounting on the statement of operations and changes in net assets.

Operating Fund

The Operating Fund is used to support the Organization's activities. On December 31, 2024, \$1,526,069 (2023 - \$Nil) was transferred from the Operating Fund to the Capital Reserve Fund.

Capital Reserve Fund

The Capital Reserve Fund is an internally restricted fund established during the year to provide funds for major repairs and replacements to the seniors' residence. On December 31, 2024, \$1,526,069 (2023 - \$Nil) was transferred from the Operating Fund to the Capital Reserve Fund.

Revenue Recognition

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

Government subsidies and grants are recognized as revenue in the year in which the related expenses are incurred. 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.

Short-term Investments

Short-term investments are purchased with an intent to be withdrawn in one year or less.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization, based on the estimated useful life of the asset, is calculated as follows:

Building	- 4% declining balance basis
Equipment and furnishings	- 20% declining balance basis

Deferred Financing Costs

Deferred financing costs are capitalized and amortized over the term of the new financing arrangement, net of the associated mortgage payable.

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.

Knox Heritage Place Inc. Notes to Financial Statements

December 31, 2024

1. Significant Accounting Policies (Continued)

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, Canadian equities and preference shares traded in an active market are reported at fair value. Guaranteed investment certificates approximate their fair value due to the short term nature of the investments. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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.

2. Investments

	2024	2023
Short-term investments		
High interest savings account	\$ 163,421	\$ 709,633
GIC - 4.75%, non-cashable, due August 13, 2025	250,000	-
GIC - 4.10%, 30-day cashable, due August 13, 2025	150,000	-
	\$ 563,421	\$ 709,633
Long-term investments		
Preference shares	\$ 444,251	\$ 591,763
Canadian equities	318,397	226,660
GIC - 4.40%, non-cashable, due August 13, 2026	200,000	-
	\$ 962,648	\$ 818,423
Total investments	\$ 1,526,069	\$ 1,528,056

Knox Heritage Place Inc. Notes to Financial Statements

December 31, 2024

3. Accounts Receivable

	2024	2023
HST receivable	\$ 61,202	\$ 38,751
Miscellaneous	1,188	1,142
	\$ 62,390	\$ 39,893

4. Capital Assets

	2024		2023	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 5,000,000	\$ -	\$ 5,000,000	\$ -
Building	2,622,697	244,528	2,507,757	147,831
Equipment and furnishings	63,570	21,015	46,938	12,456
	\$ 7,686,267	\$ 265,543	\$ 7,554,695	\$ 160,287
Net book value		\$ 7,420,724		\$ 7,394,408

5. Accounts Payable

	2024	2023
Trade accounts payable	\$ 17,376	\$ 21,597
Accrued liabilities	139,646	49,164
Due (from) to Halton Region	-	(791)
	\$ 157,022	\$ 69,970

Included in trade accounts payable are government remittances payable of \$6,159 (2023 - \$6,434).

Knox Heritage Place Inc. Notes to Financial Statements

December 31, 2024

6. Mortgage Payable

	2024	2023
Mortgage payable - Amortized over 30 years with interest at 4.40%, repayable in blended monthly payments of \$28,662, secured by the associated property, a first general assignment of rents and leases from the Property, postponement of promissory note payable to Knox Presbyterian Church, Oakville (Note 7), and assignment of Halton rent subsidy agreement (Note 9). The initial 10 year term is due May 1, 2032.	\$ 5,472,552	\$ 5,573,285
Less: current portion	(105,255)	(100,732)
Less: financing costs	(153,846)	(159,457)
	\$ 5,213,451	\$ 5,313,096

Principal repayments for the next 5 years and thereafter are as follows:

2025	\$	105,255
2026		109,981
2027		114,919
2028		120,078
2029		125,470
Thereafter		4,896,849
	\$	5,472,552

7. Promissory Note Payable

The promissory note payable is due to Knox Presbyterian Church, Oakville, (the "Church") bears interest at 3.5% per annum payable quarterly, is due within fifteen days following written demand made only after March 31, 2032 and is open to prepayment, in whole or in part, at any time without notice, bonus or penalty. The organizations are related as described in Note 8.

On November 28, 2024, the Church and the Organization have entered into an agreement to forgive the promissory note payable and release the Organization from all indebtedness and obligations under the promissory note payable, on the condition that the Organization become a registered charity under the Income Tax Act (Canada). Interest payments under the promissory note payable are suspended so long as the Organization is diligently pursuing charitable registration. The Organization is currently pursuing charitable registration.

8. Related Party

The Church exercises significant influence over the Organization by virtue of common Board membership and holds the promissory note as described in Note 7. The Church is a congregation within The Presbyterian Church in Canada, Presbytery of Brampton and is located in Oakville, Ontario. The Church is a Canadian registered charity without share capital, and is exempt from income tax.

Knox Heritage Place Inc. Notes to Financial Statements

December 31, 2024

9. Regional Municipality of Halton Subsidy

During the year, the Regional Municipality of Halton ("Halton") subsidized 41 of the 80 apartments at Knox Heritage Place on a rent-geared-to-income basis.

10. Commitments

The Organization has entered into various agreements and the minimum annual payments for the next 3 years are as follows:

2025	31,896
2026	6,276
2027	<u>3,976</u>
	<u>42,148</u>

11. Financial Instrument Risks

The Organization may be exposed to a variety of financial risks.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is subject to credit risk through its accounts receivable. The exposure to this risk is judged to be minimal as the receivables are mainly due from federal agencies and municipal government. This risk has not changed from the prior year.

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 the Organization's accounts payable, tenant deposits, mortgage payable, deferred revenue, promissory note payable and commitments. This risk has not changed from the prior year.

Market Risk

The Organization is subject to market risk with respect to its investments. It is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of general economic and other market factors affecting market prices. The values of these investments will fluctuate as a result of changes in market prices or other factors affecting the value of the investments. This risk has not changed from the prior year.

12. Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year presentation.