

XYZ HOUSING INC.
Financial Statements
Year Ended December 31, 2016

XYZ HOUSING INC.
Statement of Financial Position
December 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 193,935	\$ 267,452
Replacement reserve cash <i>(Note 7)</i>	283,388	198,674
Guaranteed investment certificates <i>(Note 4)</i>	443,662	310,767
Accounts receivable	80	-
Prepaid expenses	-	11,997
	<u>921,065</u>	788,890
TERM DEPOSIT <i>(Note 5)</i>	55,566	55,285
CAPITAL ASSETS <i>(Note 6)</i>	<u>698,757</u>	683,221
	<u>\$ 1,675,388</u>	<u>\$ 1,527,396</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 82,922	\$ 40,219
Security deposits	<u>22,369</u>	<u>21,766</u>
	105,291	61,985
REPLACEMENT RESERVE <i>(Note 7)</i>	<u>283,388</u>	198,674
	<u>388,679</u>	260,659
NET ASSETS		
Invested in capital assets	698,757	683,221
Unrestricted	<u>587,952</u>	<u>583,516</u>
	<u>1,286,709</u>	1,266,737
	<u>\$ 1,675,388</u>	<u>\$ 1,527,396</u>

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

See notes to financial statements

XYZ HOUSING INC.
Statement of Revenue and Expenses
Year Ended December 31, 2016

	2016	2015
REVENUE		
Rental	\$ 647,746	\$ 637,653
Parking	19,880	19,775
Tower rental	9,995	14,406
Laundry	11,727	10,340
Interest	4,966	1,292
Lounge rental	60	210
	<u>694,374</u>	<u>683,676</u>
EXPENSES		
Advertising and promotion	453	5
Allocation to replacement reserve <i>(Note 7)</i>	130,000	126,810
Amortization	39,832	39,832
Bad debts	7	2
Board expenses	1,085	959
Cable	1,757	1,800
Donations	8,000	1,000
GST	15,799	15,237
Insurance	11,997	13,350
Interest and bank charges	1,003	1,015
Management fees	49,411	49,797
Office	7,003	8,677
Other corporate expenses	7,848	8,737
Professional fees	7,343	15,250
Property taxes	69,397	63,976
Repairs and maintenance	80,205	111,092
Security	1,409	1,388
Sub-contracts	4,739	14,763
Telephone	1,935	2,027
Utilities	97,704	93,960
Wages and employee benefits	88,708	86,339
Water	48,767	42,818
	<u>674,402</u>	<u>698,834</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ 19,972</u>	<u>\$ (15,158)</u>

XYZ HOUSING INC.
Statement of Changes in Net Assets
Year Ended December 31, 2016

	Invested in Capital Assets	Unrestricted	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ 683,221	\$ 583,516	\$ 1,266,737	\$ 1,281,895
Excess (Deficiency) of revenue over expenses	15,536	4,436	19,972	(15,158)
NET ASSETS - END OF YEAR	\$ 698,757	\$ 587,952	\$ 1,286,709	\$ 1,266,737

See notes to financial statements

XYZ HOUSING INC.
Statement of Cash Flow
Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 19,972	\$ (15,158)
Items not affecting cash:		
Amortization of capital assets	39,832	39,832
Allocation to replacement reserve	130,000	126,810
	<u>189,804</u>	<u>151,484</u>
Changes in non-cash working capital:		
Accounts receivable	(80)	2,350
Guaranteed investment certificates	(132,895)	(6,072)
Term deposit	(281)	30
Accounts payable and accrued liabilities	42,705	5,597
Deferred income	602	141
Prepaid expenses	11,997	749
	<u>(77,952)</u>	<u>2,795</u>
Cash flow from operating activities	<u>111,852</u>	<u>154,279</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(55,369)	-
Replacement reserve interest	8,524	10,318
Replacement reserve expenses	(53,810)	(41,404)
	<u>(100,655)</u>	<u>(31,086)</u>
Cash flow used by investing activities	<u>(100,655)</u>	<u>(31,086)</u>
INCREASE IN CASH	11,197	123,193
CASH - BEGINNING OF YEAR	<u>466,126</u>	<u>342,933</u>
CASH - END OF YEAR	\$ 477,323	\$ 466,126
CASH CONSISTS OF:		
Cash	\$ 193,935	\$ 267,452
Replacement reserve cash	<u>283,388</u>	<u>198,674</u>
	<u>\$ 477,323</u>	<u>\$ 466,126</u>

XYZ HOUSING INC.
Notes to Financial Statements
Year Ended December 31, 2016

1. DESCRIPTION OF OPERATIONS

The company was incorporated under the laws of the Province of Manitoba as a non-profit organization without share capital to establish housing accommodation for the elderly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Amortization

Amortization on the original cost of the property is amortized on a straight line basis of the estimated useful life of 50 years.

Replacement Reserve Fund

The Reserve fund is funded by an annual charge against earnings. Any interest earned on reserve assets is credited to the Fund.

Revenue recognition

Rental, parking, and sundry revenue are recognized as income when earned and collection is reasonably assured

3. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2016.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from tenants. In order to reduce its credit risk, the organization reviews a new tenant's credit history before approving their rental application. The organization has a significant number of tenants which minimizes concentration of credit risk.

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XYZ HOUSING INC.
Notes to Financial Statements
Year Ended December 31, 2016

3. FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

4. GUARANTEED INVESTMENT CERTIFICATES

The organization holds two one year guaranteed investment certificates.

The first GIC was purchased for \$312,273, with an interest rate of 1.85% and matures on April 2, 2017.

The second GIC was purchased for \$125,000, with an interest rate of 1.85% and matures on February 11, 2017.

5. TERM DEPOSIT

The organization has purchased a \$55,000 term deposit for 36 months at an interest rate of 2.1%. The term deposit will mature on October 3, 2018.

6. CAPITAL ASSETS

	2016		2015	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$ 144,786	\$ -	\$ 144,786	\$ -
Equipment	100,282	100,282	100,282	100,282
Building	2,046,971	1,493,000	1,991,603	1,453,168
	\$ 2,292,039	\$ 1,593,282	\$ 2,236,671	\$ 1,553,450
Net book value	\$ 698,757		\$ 683,221	

XYZ HOUSING INC.
Notes to Financial Statements
Year Ended December 31, 2016

7. REPLACEMENT RESERVE FUND

	2016	2015
Balance, beginning of year	\$ 198,674	\$ 102,950
Replacement reserve allocation	130,000	126,810
Interest earned	8,524	10,318
	337,198	240,078
EXPENSES		
Air conditioning	9,552	-
Appliances	2,366	9,288
Cabinets and counter tops	-	810
Doors	4,848	1,170
Elevator	-	4,580
Flooring	18,920	13,600
Gas equipment	918	1,165
HVAC system	-	1,566
Hot water tanks	3,591	7,779
Other	8,092	-
Plumbing	1,198	486
Security	4,325	-
Windows	-	960
	53,810	41,404
Balance, end of year	\$ 283,388	\$ 198,674