

Financial Statements of

# **CHRISTIAN HORIZONS**

And Independent Auditors' Report thereon

Year ended March 31, 2019



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Christian Horizons

### *Opinion*

We have audited the financial statements of Christian Horizons (the "Organization"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, 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 Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' 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.

### *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.



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In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related 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.

### ***Auditors' 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 auditors' 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 the 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 auditors' 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 auditors' report. However, future events or conditions may cause the Organization's to cease to continue as a going concern.



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- 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.
- 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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

June 17, 2019

# CHRISTIAN HORIZONS

## Statement of Financial Position

March 31, 2019, with comparative information for 2018

	Government			2019	2018
	Operating	Capital	Restricted	Total	Total
<b>Assets</b>					
Current assets:					
Cash	\$ 7,601,322	\$ -	\$ 91,321	\$ 7,692,643	\$ 6,038,303
Short-term investments	4,649,619	-	660,552	5,310,171	5,143,011
Subsidies receivable	-	741,821	-	741,821	852,376
Loan receivable (note 2)	850,857	-	-	850,857	-
Accounts receivable	2,936,141	14,442	-	2,950,583	2,714,652
Prepaid expenses and deposits	229,387	-	-	229,387	246,153
	16,267,326	756,263	751,873	17,775,462	14,994,495
Capital assets (notes 3 and 4)	-	33,726,778	-	33,726,778	33,791,842
	\$ 16,267,326	\$ 34,483,041	\$ 751,873	\$ 51,502,240	\$ 48,786,337

## Liabilities and Fund Balances

Current liabilities:					
Accounts payable and accrued liabilities (note 5)	\$ 12,907,806	\$ -	\$ -	\$ 12,907,806	\$ 11,137,143
Subsidies payable	1,266,071	-	-	1,266,071	-
Interfund payable (receivable)	520,969	88,329	(609,298)	-	-
Deferred revenue	187,051	30,000	-	217,051	270,391
Current portion of long-term debt (note 6)	-	1,077,205	-	1,077,205	877,495
	14,881,897	1,195,534	(609,298)	15,468,133	12,285,029
Long-term debt (note 6)	-	2,319,276	-	2,319,276	2,928,126
	14,881,897	3,514,810	(609,298)	17,787,409	15,213,155
Fund balances	1,385,429	30,968,231	1,361,171	33,714,831	33,573,182
Commitments (note 8)					
Subsequent event (note 2)					
	\$ 16,267,326	\$ 34,483,041	\$ 751,873	\$ 51,502,240	\$ 48,786,337

See accompanying notes to financial statements.

Approved on Behalf of the Board

 Director

 Director

# CHRISTIAN HORIZONS

## Statement of Operations and Changes in Fund Balances

Year ended March 31, 2019, with comparative information for 2018

	Government			2019	2018
	Operating	Capital	Restricted	Total	Total
<b>Revenue:</b>					
Provincial subsidy	\$ 162,948,189	\$ -	\$ -	\$162,948,189	\$ 151,596,095
Residents	11,930,205	-	-	11,930,205	11,536,226
Third party funding	5,771,101	10,000	-	5,781,101	5,556,610
Special needs funding	220,883	-	-	220,883	323,654
Miscellaneous revenue	97,510	93,356	8,739	199,605	82,512
Interest income	350,724	171,147	9,389	531,260	372,838
Transfers	(2,621,010)	2,576,013	44,997	-	-
Gain (loss) on disposal of capital assets (note 4)	-	239,997	-	239,997	(1,000,450)
	178,697,602	3,090,513	63,125	181,851,240	168,467,485
<b>Expenses:</b>					
Salaries	118,289,196	-	-	118,289,196	110,356,530
Benefits	22,697,244	-	-	22,697,244	19,576,839
Travel	1,363,250	-	5,436	1,368,686	1,258,683
Training	389,870	-	-	389,870	408,046
Purchased services	7,237,416	-	-	7,237,416	6,820,565
Management fee	1,274,975	-	-	1,274,975	1,229,567
Supplies and miscellaneous	1,815,890	-	-	1,815,890	1,823,153
Food	3,186,775	-	-	3,186,775	3,168,857
Rent - premises	5,170,449	-	-	5,170,449	4,515,307
Rent - other	1,030,466	-	-	1,030,466	1,066,271
Utilities and taxes	2,857,631	-	-	2,857,631	2,731,652
Insurance	1,235,819	-	-	1,235,819	1,296,323
Repairs and maintenance	7,210,877	-	4,371	7,215,248	7,929,427
Furniture and equipment	1,891,452	-	18,387	1,909,839	1,816,541
Amortization	-	2,900,323	-	2,900,323	2,708,501
Vehicles	1,610,108	-	-	1,610,108	1,667,488
Personal needs	1,704,174	-	-	1,704,174	1,499,540
Interest on long-term debt	-	118,526	-	118,526	106,857
Recovery from Christian Horizons (Canada)	(267,990)	-	-	(267,990)	(913,268)
	178,697,602	3,018,849	28,194	181,744,645	169,066,879
<b>Excess (deficiency) of revenue over expenses before the undernoted</b>					
	-	71,664	34,931	106,595	(599,394)
<b>Change in fair value of investments</b>					
	35,054	-	-	35,054	111,315
<b>Excess (deficiency) of revenue over expenses</b>					
	35,054	71,664	34,931	141,649	(488,079)
<b>Fund balances, beginning of year</b>					
	1,350,375	30,896,567	1,326,240	33,573,182	34,061,261
<b>Fund balances, end of year</b>					
	\$ 1,385,429	\$ 30,968,231	\$ 1,361,171	\$ 33,714,831	\$ 33,573,182

See accompanying notes to financial statements.

# CHRISTIAN HORIZONS

## Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 141,649	\$ (488,079)
Items not involving cash:		
Change in fair value of investments	(35,054)	(111,315)
Amortization of capital assets	2,900,323	2,708,501
Loss (gain) on disposal of capital assets	(239,997)	1,000,450
Change in non-cash operating working capital (note 9)	2,874,784	1,027,813
	<u>5,641,705</u>	<u>4,137,370</u>
Financing:		
Repayment of long-term debt	(891,484)	(1,734,339)
Advances of long-term debt	482,344	1,473,163
	<u>(409,140)</u>	<u>(261,176)</u>
Investments:		
Purchase of capital assets	(2,858,832)	(3,157,393)
Proceeds on disposal of capital assets	263,570	23,730
Purchase of investments	(595,715)	(1,143,832)
Proceeds on disposal of investments	463,609	1,049,963
Advance of loan receivable	(850,857)	-
	<u>(3,578,225)</u>	<u>(3,227,532)</u>
Increase in cash	1,654,340	648,662
Cash, beginning of year	6,038,303	5,389,641
Cash, end of year	<u>\$ 7,692,643</u>	<u>\$ 6,038,303</u>

See accompanying notes to financial statements.

# CHRISTIAN HORIZONS

## Notes to Financial Statements

Year ended March 31, 2019

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Christian Horizons (the "Organization") is a non-profit faith-based charitable organization founded in 1965. The Organization works with people who experience disabilities through residential and ancillary programs which are funded primarily through contracts with provincial governments. The Organization is incorporated under the Ontario Corporations Act as a non-profit organization without share capital. The Organization is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

### 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. The Organization's significant accounting policies are as follows:

#### (a) Fund accounting:

The Organization follows the restricted fund method of accounting for contributions using the following funds:

The government operating fund represents funds received under contractual arrangements with the Province of Ontario and the Province of Saskatchewan for the purpose of supporting people who experience disabilities.

The government capital fund reflects the assets, liabilities, revenue and expenses related to the capital assets acquired under capital contracts or other receipts from the Province of Ontario and the Province of Saskatchewan.

The restricted fund represents the assets, liabilities, revenue and expenses related to both internally and externally restricted activities.

#### (b) Revenue recognition:

Provincial subsidy is recognized as revenue of the appropriate fund as costs are incurred. Any surplus is recorded as subsidy payable on the statement of financial position, or as an excess of revenue over expenses and transferred to the restricted fund.

All other restricted contributions are recognized as revenue of the appropriate restricted fund.

#### (c) Capital assets:

Capital assets are recorded at cost. Minor capital items funded by operating revenue are expensed as incurred. Amortization is provided in the accounts using the following method and annual rates:

Asset	Basis	Rate
Buildings	Straight-line	5%
Vehicles, furniture and equipment	Straight-line	20%
Leasehold improvements	Straight-line	10%



# CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2019

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## 1. Significant accounting policies (continued):

### (d) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

### (e) Measurement uncertainty:

The preparation of 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 dates 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 amount of capital assets, accounts payable and accrued liabilities and valuation allowances for receivables. Actual results could differ from those estimates.

### (f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost. Equity instruments that are quoted in an active market are subsequently measured at fair value.

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 period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2019

## 2. Loan receivable:

On August 29, 2018 a loan was provided to Christian Horizons Foundation. The loan is available for up to \$2,000,000 of which \$850,857 was drawn at year end. The loan receivable is due on demand, bears interest at 3.75%, with interest only payments and matures the earlier of the sale of the Toronto property held by Christian Horizons Foundation or August 29, 2020. The loan receivable is secured with a second ranking security on property held by Christian Horizons Foundation in Toronto and a third ranking security on property held by Christian Horizons Foundation in Waterloo.

Subsequent to year end, on April 25, 2019, the Toronto property held by Christian Horizons Foundation was sold and the loan receivable was fully repaid on April 26, 2019.

## 3. Capital assets:

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	\$ 14,141,531	\$ -	\$ 14,141,531	\$ 14,009,494
Buildings	47,561,444	31,518,221	16,043,223	17,557,233
Vehicles, furniture and equipment	5,960,152	3,957,106	2,003,046	1,815,016
Leasehold improvements	3,361,260	1,822,282	1,538,978	410,099
	<u>\$ 71,024,387</u>	<u>\$ 37,297,609</u>	<u>\$ 33,726,778</u>	<u>\$ 33,791,842</u>

## 4. Asset restrictions:

By virtue of the agreements under which provincial funding is received, the Organization cannot alter or dispose of property acquired entirely or partially with provincial funds without approval from the appropriate Provincial Ministry. On the disposal of property, a portion of the provincial funding used to acquire the property may be repayable.

In the prior year, the Organization incurred a loss on the sale of two properties that were fully funded in prior years by the Ontario Ministry of Children, Community and Social Services (MCCSS). Consistent with the asset restrictions, the sale of the properties were approved by MCCSS and were sold to other MCCSS funded developmental service organizations.

## 5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$1,476,819 (2018 - \$1,335,322) which consists primarily of amounts payable for municipal taxes, sales tax and payroll related taxes.

# CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2019

## 6. Long-term debt:

	2019	2018
Secured by restricted assets (note 4)		
Funded by Provincial Ministries:		
Banking facility:		
3.95% term loan secured by land and buildings, repayable in monthly payments of \$4,415, including principal and interest, due on March 31, 2021	384,895	1,106,025
3.6% term loan secured by land and buildings, repayable in monthly payments of \$5,136, including principal and interest, due on December 31, 2019	667,605	704,471
3.95% interest only unsecured loan, due on demand, secured by land and buildings, repayable in monthly payments of \$10,216, including principal and interest, due on May 15, 2021	1,900,949	1,473,163
Other lenders:		
1.915% mortgage on land and building, repayable in monthly payments of \$1,695, including principal and interest, due on July 1, 2022	\$ 101,508	\$ 119,718
1.110%, mortgage on land and building, repayable in monthly payments of \$811, including principal and interest, due on April 1, 2021	51,930	61,038
2.18% mortgage on land and building, repayable in monthly payments of \$2,762, including principal and interest, due on September 1, 2019	171,645	200,717
2.35% mortgage on land and building, repayable in monthly payments of \$1,378, including principal and interest, due on July 1, 2019	68,080	82,836
1.83%, mortgage on land and building, repayable in monthly payments of \$732, including principal and interest, due on March 1, 2025	49,869	57,653
	3,396,481	3,805,621
Less current portion of long-term debt	1,077,205	877,495
	<u>\$ 2,319,276</u>	<u>\$ 2,928,126</u>

# CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2019

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

The aggregate amount of principal payments required on the long-term debt in each of the next five years and thereafter are as follows:

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2020	\$	1,077,205
2021		467,185
2022		1,781,700
2023		53,126
2024		8,533
Thereafter		8,732
	\$	3,396,481

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## 7. Credit facility:

The Organization has available an aggregate borrowing facility of \$10,000,000 which includes a \$4,000,000 operating demand facility, a \$250,000 revolving demand facility for letters of guarantee and \$250,000 revolving lease line of credit. This facility is secured by a general security agreement, and a first charge over real property and bears interest at bank prime plus up to 1.00%. Fees for letters of guarantee are provided on a transaction by transaction basis.

As at March 31, 2019, \$nil (2018 - \$nil) is drawn against the operating demand facility. As at March 31, 2019, issued letters of guarantee are \$nil (2018 - \$68,040). At year end \$8,099,051 under the aggregate borrowing facility is available for use.

The Organization has provided a guarantee to the bank of Christian Horizons Foundation in the amount of \$6,500,000 (2018 - \$nil).

## 8. Commitments:

The Organization is obligated under various leasing contracts for the rental of vehicles and facilities. The annual commitments under these contracts for the next five years are as follows:

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2020	\$	3,534,337
2021		2,824,973
2022		2,264,444
2023		1,589,521
2024		986,272
	\$	11,199,547

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# CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2019

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

The change in non-cash operating working capital items is comprised of the following:

	2019	2018
Decrease (increase) in current assets:		
Subsidies receivable	\$ 110,555	\$ (285,333)
Accounts receivable	(235,931)	(130,771)
Prepaid expenses and deposits	16,766	(10,304)
	(108,610)	(426,408)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	1,770,663	1,524,177
Subsidies payable	1,266,071	-
Deferred revenue	(53,340)	(69,956)
	2,983,394	1,454,221
	\$ 2,874,784	\$ 1,027,813

## 10. Related party transactions:

### (a) Christian Horizons (Canada):

Christian Horizons (Canada) is an independent organization that works with people who experience disabilities through residential and ancillary programs. Christian Horizons (Canada) is incorporated under the laws of Canada as a non-profit organization without share capital, is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

Christian Horizons (Canada) and the Organization are related parties as the Board of Directors of Christian Horizons (Canada) is also the Board of Directors of the Organization.

The following transactions occurred in the year ended March 31:

	2019	2018
Management fee paid to Christian Horizons (Canada)	\$ 1,274,975	\$ 1,229,567
Consulting - leadership development paid to Christian Horizons (Canada)	218,562	218,562
Program costs charged to Christian Horizons (Canada)	267,990	913,268
Payment on properties held by Christian Horizons (Canada)	60,613	60,613

# CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2019

## 10. Related party transactions (continued):

### (b) Christian Horizons Global:

Christian Horizons Global is an independent organization that seeks to respond to the needs of children and adults at risk around the world. Christian Horizons Global is incorporated under the laws of Canada as a non-profit organization without share capital, is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

Christian Horizons Global and the Organization are related parties as the Board of Directors of Christian Horizons Global is also the Board of Directors of the Organization.

The following transactions occurred in the year ended March 31:

	2019	2018
Shared services paid by Christian Horizons Global	\$ 41,680	\$ 41,880

### (c) Xeorixs Homes:

Xeorixs Homes is an independent organization which leases homes to individuals served by the Organization. Xeorixs Homes is incorporated under the laws of Ontario as a non-profit organization without share capital and is exempt from income taxes.

Xeorixs Homes and the Organization are related parties as the Board of Directors of the Organization is also the Board of Directors of Xeorixs Homes.

During the year, the Organization received from Xeorixs Homes \$24,840 (2018 - \$24,840) for administrative services provided by the Organization.

At March 31, 2019, there is \$12,711 (2018 - \$11,697) due from Xeorixs Homes that is included in accounts receivable.

## 11. Financial risks:

### (a) Market risk:

The Organization believes that it is not exposed to significant market risk arising from its financial instruments.

### (b) Interest rate risk:

The Organization manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy approved by the Board of Directors.

The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Organization to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

# CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2019

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## 11. Financial risks (continued):

### (c) 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. This risk is reduced because of the investments held.

### (d) Credit risk:

The Organization does not have a significant exposure to any individual customer or counterparty other than the Province of Ontario and the Province of Saskatchewan.

## 12. Comparative information:

Comparative information on the statement of operations and changes in fund balances and statement of cash flows has been reclassified to conform to the current year's presentation.