

Financial Statements of

CHRISTIAN HORIZONS

Year ended March 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Christian Horizons

We have audited the accompanying financial statements of Christian Horizons, which comprise the statement of financial position as at March 31, 2015, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditors' 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 our 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, we consider internal control relevant to the entity'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 entity'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.



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Christian Horizons as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 22, 2015
Waterloo, Canada

CHRISTIAN HORIZONS

Statement of Financial Position

March 31, 2015, with comparative information for 2014

	Operating	Government Capital	2015 Total	2014 Total
Assets				
Current assets:				
Cash	\$ 11,375,615	\$ -	\$ 11,375,615	\$ 4,679,379
Short-term investments	3,992,448	-	3,992,448	3,735,760
Subsidies receivable	650,505	-	650,505	-
Accounts receivable	2,090,151	16,485	2,106,636	1,738,343
Prepaid expenses and deposits	185,860	-	185,860	179,141
	18,294,579	16,485	18,311,064	10,332,623
Note receivable from Christian Horizons (Canada) (note 2)	50,000	-	50,000	150,000
Capital assets (notes 3 and 4)	-	34,188,479	34,188,479	35,556,433
	\$ 18,344,579	\$ 34,204,964	\$ 52,549,543	\$ 46,039,056

Liabilities and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities (note 6)	\$ 16,472,065	\$ -	\$ 16,472,065	\$ 9,503,788
Subsidies payable	-	-	-	95,299
Interfund payable (receivable)	835,452	(835,452)	-	-
Deferred revenue	35,226	24,624	59,850	147,867
Capital replacement reserve	31,010	-	31,010	15,744
Current portion of long-term debt (note 7)	-	1,074,954	1,074,954	2,519,464
	17,373,753	264,126	17,637,879	12,282,162
Long-term debt (note 7)	-	2,301,255	2,301,255	1,148,633
Fund balances	970,826	31,639,583	32,610,409	32,608,261
Commitments (note 8)				
	\$ 18,344,579	\$ 34,204,964	\$ 52,549,543	\$ 46,039,056

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, 2015, with comparative information for 2014

	Government		2015	2014
	Operating	Capital	Total	Total
Revenue:				
Provincial subsidy	\$ 124,291,150	\$ -	\$ 124,291,150	\$ 116,320,860
Residents	10,671,938	-	10,671,938	10,187,657
Third party funding	2,890,020	8,208	2,898,228	1,963,968
Special needs funding	811,242	-	811,242	817,536
Miscellaneous revenue	38,348	62,993	101,341	219,387
Interest income	154,953	92,031	246,984	236,822
Transfers	(1,736,398)	1,736,398	-	-
Gain on disposal of capital assets	-	432,898	432,898	-
	137,121,253	2,332,528	139,453,781	129,746,230
Expenses:				
Salaries	93,872,751	-	93,872,751	89,079,453
Benefits	16,137,032	-	16,137,032	15,305,534
Travel	1,174,518	-	1,174,518	1,076,943
Training	232,705	-	232,705	248,597
Purchased services	5,566,335	-	5,566,335	4,416,853
Management fee	899,570	-	899,570	985,050
Supplies and miscellaneous	1,736,805	-	1,736,805	1,607,694
Food	2,795,799	-	2,795,799	2,655,123
Rent - premises	2,846,469	-	2,846,469	2,758,161
Rent - other	1,312,946	-	1,312,946	1,470,284
Utilities and taxes	2,554,484	-	2,554,484	2,270,697
Insurance	1,100,524	-	1,100,524	1,077,356
Repairs and maintenance	4,619,665	-	4,619,665	3,221,963
Furniture and equipment	1,507,651	-	1,507,651	1,774,321
Amortization	-	2,380,489	2,380,489	2,199,706
Vehicles	1,610,985	-	1,610,985	1,658,485
Personal needs	1,241,451	-	1,241,451	1,106,499
Interest on long-term debt	-	119,270	119,270	156,732
Christian Horizons (Canada)	(2,088,437)	-	(2,088,437)	(2,243,266)
	137,121,253	2,499,759	139,621,012	130,826,185
Deficiency of revenue over expenses before the undernoted				
	-	(167,231)	(167,231)	(1,079,955)
Change in fair value of investments				
	169,379	-	169,379	266,930
Excess (deficiency) of revenue over expenses				
	169,379	(167,231)	2,148	(813,025)
Fund balances, beginning of year				
	801,447	31,806,814	32,608,261	33,421,286
Fund balances, end of year				
	\$ 970,826	\$ 31,639,583	\$ 32,610,409	\$ 32,608,261

See accompanying notes to financial statements.

CHRISTIAN HORIZONS

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 2,148	\$ (813,025)
Items not involving cash:		
Change in fair value of investments	(169,379)	(266,930)
Amortization of capital assets	2,380,489	2,199,706
Gain on disposal of capital assets	(432,898)	-
Change in non-cash operating working capital (note 10)	5,774,710	(281,932)
	<u>7,555,070</u>	<u>837,819</u>
Financing:		
Repayment of long-term debt	(291,888)	(771,657)
Investments:		
Purchase of capital assets	(1,090,995)	(780,760)
Proceeds on disposal of capital assets	511,358	-
Purchase of investments	(87,309)	-
Sale of investments	-	656,560
Repayment of note receivable from Christian Horizons (Canada)	100,000	100,000
	<u>(566,946)</u>	<u>(24,200)</u>
Increase in cash	6,696,236	41,962
Cash, beginning of year	4,679,379	4,637,417
Cash, end of year	<u>\$ 11,375,615</u>	<u>\$ 4,679,379</u>

See accompanying notes to financial statements.

CHRISTIAN HORIZONS

Notes to Financial Statements

Year ended March 31, 2015

Christian Horizons (the "Organization") is a non-profit faith-based charitable organization founded in 1965 and seeks to serve the person with exceptional needs through residential and ancillary programs which are funded primarily through contracts with the Ontario government. 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 for the purpose of supporting individuals with exceptional needs.

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.

(b) Revenue recognition:

Provincial subsidy is recognized as revenue of the appropriate restricted fund as the costs are incurred. Any surplus is recorded as subsidy payable on the statement of financial position.

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

(c) 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.

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2015

1. Significant accounting policies (continued):

(d) 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%
Leasehold improvements	Straight-line	10%
Vehicles	Straight-line	20%

(e) 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.

(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.

2. Note receivable from Christian Horizons (Canada):

The note receivable from Christian Horizons (Canada) bears no interest, is unsecured and has no fixed repayment terms. Christian Horizons will not demand repayment before April 1, 2016 and, accordingly, this amount has been classified as a long-term asset.

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2015

3. Capital assets:

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Land	\$ 14,028,795	\$ -	\$ 14,028,795	\$ 14,100,496
Buildings	42,713,990	24,459,165	18,254,825	20,025,086
Vehicles	2,351,349	1,228,587	1,122,762	421,645
Leasehold improvements	2,122,715	1,340,618	782,097	1,009,206
	<u>\$ 61,216,849</u>	<u>\$ 27,028,370</u>	<u>\$ 34,188,479</u>	<u>\$ 35,556,433</u>

4. Asset restrictions:

By virtue of the agreement 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 Province of Ontario. On the disposal of the property, a portion of the provincial funding used to acquire the property may be repayable.

5. Operating line:

The Organization has an available \$4,000,000 operating demand facility, which includes a \$250,000 revolving demand facility for letters of guarantee. This facility is secured by a general security agreement, a floating charge debenture, and a first charge over real property and bears interest at bank prime plus 0.50%. Fees for letters of guarantee are provided on a transaction-by-transaction basis.

As at March 31, 2015, there was no amount drawn against the operating demand facility (2014 - \$nil).

As at March 31, 2015, issued letters of guarantee are \$68,040 (2014 - \$68,040).

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$3,385,085 (2014 - \$1,212,286) which consists primarily of amounts payable for payroll related and property taxes.

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2015

7. Long-term debt:

	2015	2014
Secured by restricted assets (note 4)		
Funded by Ministry of Community and Social Services		
3.151% mortgage on 146 Viewmount Avenue, Toronto, repayable in monthly payments of \$2,892, including principal and interest, due on September 1, 2014	\$ -	\$ 310,243
3.423% mortgage on 330 Ellerslie Avenue, Toronto, repayable in monthly payments of \$1,443, including principal and interest, due on July 1, 2014	-	138,319
2.27% mortgage on 45 Bluehaven Crescent, Toronto, repayable in monthly payments of \$1,715, including principal and interest, due on July 1, 2017	171,644	188,144
2.65% mortgage on 590 Commissioners Road West, London, repayable in monthly payments of \$864, including principal and interest due, April 1, 2016	87,074	95,035
3.25% term loan secured by select properties, repayable in monthly payments of \$10,406 plus, including principal and interest, due on October 24, 2014	-	72,115
3.65% term loan secured by select properties, repayable in monthly installments of \$15,800, including principal and interest, due on March 31, 2015	-	1,939,442
3.47% term loan secured by select properties, repayable in monthly installments of \$15,052, including principal and interest, due on March 31, 2018	1,818,652	-
3.6% term loan secured by select properties, repayable in monthly installments of \$5,660, including principal and interest, due on December 31, 2015	889,503	924,799
2.18% mortgage on 146 Viewmount Avenue, Toronto, repayable in monthly payments of \$2,762, including principal and interest, due on September 1, 2019	284,245	-
2.35% mortgage on 330 Ellerslie Avenue, Toronto, repayable in monthly payments of \$1,378, including principal and interest, due on July 1, 2019	125,091	-
	3,376,209	3,668,097
Less current portion of long-term debt	1,074,954	2,519,464
	\$ 2,301,255	\$ 1,148,633

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2015

7. Long-term debt (continued):

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

2016	\$ 1,074,954
2017	261,692
2018	1,756,009
2019	43,828
2020	239,726
	<hr/>
	\$ 3,376,209

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:

2016	\$ 2,450,986
2017	1,813,697
2018	1,520,104
2019	1,065,363
2020	681,359

9. Contracts with Ministry of Community and Social Services:

The Organization has a number of service contracts with the Ministry of Community and Social Services ("MCSS"). One requirement of these contracts is the preparation by management of a Transfer Payment Annual Reconciliation which shows a summary by service contract of all revenues and expenditures and any resulting surplus or deficit that relate to those contracts.

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2015

10. Change in non-cash operating working capital:

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

	2015	2014
Decrease (increase) in current assets:		
Subsidies receivable	\$ (650,505)	\$ -
Accounts receivable	(368,293)	(141,740)
Prepaid expenses and deposits	(6,719)	(32,983)
	(1,025,517)	(174,723)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	6,968,277	(192,594)
Subsidies payable	(95,299)	94,656
Deferred revenue	(88,017)	(13,037)
Capital replacement reserve	15,266	3,766
	6,800,227	(107,209)
	\$ 5,774,710	\$ (281,932)

11. Related party transactions:

(a) Christian Horizons (Canada):

Christian Horizons (Canada) is an independent organization that seeks to serve the person with exceptional needs through residential, vacation 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:

	2015	2014
Management fee paid to Christian Horizons (Canada)	\$ 899,570	\$ 985,050
Consulting - leadership development paid to Christian Horizons (Canada)	190,000	179,698
Program costs charged to Christian Horizons (Canada)	2,088,437	2,243,266
Payment on properties held by Christian Horizons (Canada)	18,747	18,747

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2015

11. 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 in Canada and throughout 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 both organizations are controlled through the Board of Directors of Christian Horizons International.

The following transactions occurred in the year ended March 31:

	2015	2014
Shared services paid by Christian Horizons Global	\$ 37,060	\$ 36,060

(c) Xeorixs Homes:

Xeorixs Homes is an independent organization which leases homes to individuals served by the Organization and other third parties. 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 Executive Committee of 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 (2014 - \$24,840) for administrative services provided by the Organization.

12. 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, 2015

12. 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.

13. Change in comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.