

Financial Statements of

**CHRISTIAN HORIZONS  
(CANADA)**

Year ended March 31, 2016



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Christian Horizons (Canada)

We have audited the accompanying financial statements of Christian Horizons (Canada), which comprise the statement of financial position as at March 31, 2016, 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 statement of financial position of Christian Horizons (Canada) as at March 31, 2016, 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*

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Chartered Professional Accountants, Licensed Public Accountants

June 27, 2016  
Waterloo, Canada

# CHRISTIAN HORIZONS (CANADA)

## Statement of Financial Position

March 31, 2016, with comparative information for 2015

|                               | Operating    | Capital    | Restricted | 2016<br>Total | 2015<br>Total |
|-------------------------------|--------------|------------|------------|---------------|---------------|
| <b>Assets</b>                 |              |            |            |               |               |
| Current assets:               |              |            |            |               |               |
| Cash                          | \$ 1,826,427 | \$ -       | \$ -       | \$ 1,826,427  | \$ 1,198,038  |
| Accounts receivable           | 110,128      | -          | -          | 110,128       | 137,243       |
| Prepaid expenses and deposits | 10,134       | -          | -          | 10,134        | 21,928        |
| Mortgage receivable (note 2)  | -            | -          | -          | -             | 33,127        |
|                               | 1,946,689    | -          | -          | 1,946,689     | 1,390,336     |
| Capital assets (note 3)       | -            | 482,636    | -          | 482,636       | 511,183       |
|                               | \$ 1,946,689 | \$ 482,636 | \$ -       | \$ 2,429,325  | \$ 1,901,519  |

## Liabilities and Fund Balances

### Current liabilities:

|   |              |            |           |              |              |
|---|--------------|------------|-----------|--------------|--------------|
| Accounts payable and accrued liabilities (note 4) | \$ 162,784   | \$ -       | \$ -      | \$ 162,784   | \$ 232,924   |
| Deferred revenue                                  | 128,219      | -          | -         | 128,219      | 79,220       |
| Current portion of long-term debt (note 5)        | -            | 17,110     | -         | 17,110       | 16,560       |
| Interfund payable (receivable)                    | 405,936      | 19,829     | (425,765) | -            | -            |
|   | 696,939      | 36,939     | (425,765) | 308,113      | 328,704      |
| Long-term debt (note 5)                           | -            | 40,794     | -         | 40,794       | 57,904       |
| Note payable to Christian Horizons (note 6)       | -            | -          | -         | -            | 50,000       |
| Accrued pension liability (note 7)                | 893,409      | -          | -         | 893,409      | 689,758      |
| Fund balances                                     | 356,341      | 404,903    | 425,765   | 1,187,009    | 775,153      |
|   | \$ 1,946,689 | \$ 482,636 | \$ -      | \$ 2,429,325 | \$ 1,901,519 |

See accompanying notes to financial statements.

Approved on Behalf of the Board

 Director

 Director

# CHRISTIAN HORIZONS (CANADA)

## Statement of Operations and Changes in Fund Balances

Year ended March 31, 2016, with comparative information for 2015

|  | Operating    | Capital    | Restricted | 2016<br>Total | 2015<br>Total |
|--|--------------|------------|------------|---------------|---------------|
| <b>Revenue:</b>  |              |            |            |               |               |
| Per diem revenue   | \$ 2,603,837 | \$ -       | \$ 269,229 | \$ 2,873,066  | \$ 3,145,344  |
| Vacation and excursion fees                                  | 324,409      | -          | -          | 324,409       | 562,985       |
| Donations and grants   | 60,783       | -          | 555,793    | 616,576       | 427,405       |
| Management fees  | 1,169,366    | -          | -          | 1,169,366     | 959,643       |
| Consulting fees  | 196,000      | -          | -          | 196,000       | 190,000       |
| Interest income  | 206          | -          | -          | 206           | 2,532         |
| Miscellaneous  | -            | 18,747     | -          | 18,747        | 27,424        |
|  | 4,354,601    | 18,747     | 825,022    | 5,198,370     | 5,315,333     |
| <b>Expenses:</b>   |              |            |            |               |               |
| Salaries   | 992,608      | -          | 7,216      | 999,824       | 850,879       |
| Benefits   | 396,877      | -          | 525        | 397,402       | 277,864       |
| Purchased services   | 1,990,422    | -          | 304,337    | 2,294,759     | 3,108,439     |
| Travel   | 152,457      | -          | 22,932     | 175,389       | 134,503       |
| Supplies and miscellaneous                                   | 76,943       | -          | 111,154    | 188,097       | 160,729       |
| Amortization   | -            | 28,547     | -          | 28,547        | 28,547        |
| Utilities and taxes  | 12,014       | -          | 219        | 12,233        | 11,416        |
| Rent   | 162,103      | -          | 84,718     | 246,821       | 348,237       |
| Interest and bank charges                                    | 6,103        | 2,187      | 223        | 8,513         | 10,187        |
| Furniture and equipment                                      | -            | -          | 18,789     | 18,789        | 1,717         |
| Repairs and maintenance                                      | -            | -          | 36,320     | 36,320        | 4,140         |
| Insurance  | 8,006        | -          | -          | 8,006         | 7,028         |
| Gifts to Christian Horizons<br>Global (note 9)               | -            | -          | 327,848    | 327,848       | 146,794       |
|  | 3,797,533    | 30,734     | 914,281    | 4,742,548     | 5,090,480     |
| Excess (deficiency) of revenue<br>over expenses              | 557,068      | (11,987)   | (89,259)   | 455,822       | 224,853       |
| Fund balances, beginning of year                             | (156,761)    | 416,890    | 515,024    | 775,153       | 829,953       |
| Remeasurement gains (losses) on<br>accrued pension liability | (43,966)     | -          | -          | (43,966)      | (279,653)     |
| Fund balances, end of year                                   | \$ 356,341   | \$ 404,903 | \$ 425,765 | \$ 1,187,009  | \$ 775,153    |

See accompanying notes to financial statements.

# CHRISTIAN HORIZONS (CANADA)

## Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

|   | 2016                | 2015                |
|---|---------------------|---------------------|
| Cash provided by (used in):                           |                     |                     |
| Operations:   |                     |                     |
| Excess of revenue over expenses                       | \$ 455,822          | \$ 224,853          |
| Items not involving cash:                             |                     |                     |
| Amortization of capital assets                        | 28,547              | 28,547              |
| Accrued pension liability                             | 159,685             | 77,533              |
| Change in non-cash operating working capital (note 8) | 17,768              | 58,047              |
|   | <u>661,822</u>      | <u>388,980</u>      |
| Financing:  |                     |                     |
| Payment of note payable to Christian Horizons         | (50,000)            | (100,000)           |
| Repayment of long-term debt                           | (16,560)            | (16,029)            |
|   | <u>(66,560)</u>     | <u>(116,029)</u>    |
| Investments:  |                     |                     |
| Payments received for long-term receivables           | 33,127              | 247,468             |
|   | <u>33,127</u>       | <u>247,468</u>      |
| Increase in cash                                      | 628,389             | 520,419             |
| Cash, beginning of year                               | 1,198,038           | 677,619             |
| Cash, end of year                                     | <u>\$ 1,826,427</u> | <u>\$ 1,198,038</u> |

See accompanying notes to financial statements.

# CHRISTIAN HORIZONS (CANADA)

Notes to Financial Statements

Year ended March 31, 2016

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Christian Horizons (Canada) (the "Organization") is a non-profit faith-based charitable Organization founded in 1977 and seeks to serve the person with exceptional needs through residential, vacation and ancillary programs. The Organization is incorporated under the Canada Not-for-profit Corporations Act 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 operating fund reflects the unrestricted donations and other fees for service contributed to the Organization, which have not been specifically designated.

The capital fund reflects the assets, liabilities, revenue and expenses related to the capital assets.

The restricted fund represents funds received by the Organization that have been internally designated for specific projects.

### (b) Revenue recognition:

Restricted contributions are recognized as revenue in the restricted fund. Unrestricted contributions are recognized as revenue in the operating fund.

### (c) Capital assets:

Capital assets are recorded at cost. 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%  |

### (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.

# CHRISTIAN HORIZONS (CANADA)

Notes to Financial Statements, continued

Year ended March 31, 2016

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## 1. Significant accounting policies (continued):

### (e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments 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.

### (f) 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, pension obligations, and valuation allowances for receivables. Actual results could differ from those estimates.

### (g) Employee future benefits:

The Organization has pension plans for the Senior Leadership Team. These plans are registered defined benefit pension plans and provide pension benefits based on years of service, years of contributions and final average earnings. The Organization accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension benefits. The defined benefit obligation at the end of the year is determined based on the most recent actuarial valuation report prepared for accounting purposes. The measurement date of the plan assets and the accrued benefit obligation coincide with the Organization's fiscal year. The most recent actuarial valuations of the pension plans prepared for accounting purposes range from April 1, 2013 to January 1, 2016, and the next required valuations range from April 1, 2016 to January 1, 2019.



# CHRISTIAN HORIZONS (CANADA)

Notes to Financial Statements, continued

Year ended March 31, 2016

## 1. Significant accounting policies (continued):

### (g) Employee future benefits (continued):

In years between valuations, the Organization uses a roll-forward technique to estimate the accrued benefit obligation. The Organization recognizes the defined benefit obligation net of the fair value of the plan amounts adjusted for any valuation allowance in the statement of financial position at the end of the year. The cost of the plan, comprising (i) changes in the defined benefit obligation other than those resulting from benefit payments to plan members; (ii) the amount of any plan assets transferred and any payments made directly by the Organization in connection with a settlement; (iii) the actual return on plan assets; and (iv) the change in the valuation allowance is recorded in income.

The remeasurement and other items are immediately recognized as an adjustment of fund balances.

Remeasurements and other items comprise the aggregate of: the difference between the actual return on plan assets and the return calculated using the discount rate; the actuarial gains and losses; the effect of any valuation allowance in the case of a net defined benefit asset; the past service costs; and the gains and losses arising from settlements, and curtailments and plan improvements.

## 2. Mortgage receivable:

|   | 2016 | 2015      |
|---|------|-----------|
| 3% mortgage receivable, secured by property located at 384 Arthur Street South, Elmira, repayable in monthly payments of \$8,333, including principal and interest, due on July 1, 2015 | \$ - | \$ 33,127 |

The mortgage receivable was fully repaid during the year.

## 3. Capital assets:

|                        | Cost       | Accumulated amortization | 2016<br>Net book<br>value | 2015<br>Net book<br>value |
|------------------------|------------|--------------------------|---------------------------|---------------------------|
| Land                   | \$ 109,000 | \$ -                     | \$ 109,000                | \$ 109,000                |
| Buildings              | 440,904    | 71,603                   | 369,301                   | 391,346                   |
| Leasehold improvements | 65,020     | 60,685                   | 4,335                     | 10,837                    |
|                        | \$ 614,924 | \$ 132,288               | \$ 482,636                | \$ 511,183                |

# CHRISTIAN HORIZONS (CANADA)

Notes to Financial Statements, continued

Year ended March 31, 2016

## 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$13,932 (2015 - \$52,262), which includes amounts payable for payroll related taxes.

## 5. Long-term debt:

|  | 2016             | 2015             |
|--|------------------|------------------|
| 3.29% mortgage on 23 Filice Court, Hamilton, repayable in monthly payments of \$1,562, including principal and interest, due on March 15, 2018 | \$ 57,904        | \$ 74,464        |
| Less current portion of long-term debt   | 17,110           | 16,560           |
|  | <u>\$ 40,794</u> | <u>\$ 57,904</u> |

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

|      |                  |
|------|------------------|
| 2017 | \$ 17,110        |
| 2018 | 40,794           |
|      | <u>\$ 57,904</u> |

## 6. Note payable to Christian Horizons:

The amount due to Christian Horizons bears no interest, is unsecured and has no fixed repayment terms. This note was fully repaid during the year.

## 7. Accrued pension liability:

|                            | 2016                | 2015                |
|----------------------------|---------------------|---------------------|
| Accrued pension obligation | \$ (1,946,990)      | \$ (1,646,642)      |
| Plan assets                | 1,053,581           | 956,884             |
| Accrued pension liability  | <u>\$ (893,409)</u> | <u>\$ (689,758)</u> |

# CHRISTIAN HORIZONS (CANADA)

Notes to Financial Statements, continued

Year ended March 31, 2016

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

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

|   | 2016      | 2015       |
|---|-----------|------------|
| Decrease (increase) in current assets:      |           |            |
| Accounts receivable                         | \$ 27,115 | \$ (2,827) |
| Prepaid expenses and deposits               | 11,794    | 33,330     |
|   | 38,909    | 30,503     |
| Increase (decrease) in current liabilities: |           |            |
| Accounts payable and accrued liabilities    | (70,140)  | 83,696     |
| Deferred revenue                            | 48,999    | (56,152)   |
|   | (21,141)  | 27,544     |
|   | \$ 17,768 | \$ 58,047  |

## 9. Related party transactions:

### (a) Christian Horizons:

Christian Horizons is an independent organization which seeks to serve the person with exceptional needs through residential and ancillary programs. Christian Horizons is incorporated under the laws of Ontario as a non-profit organization without share capital. Christian Horizons is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

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

The following transactions occurred in the year ended March 31:

|  | 2016         | 2015       |
|--|--------------|------------|
| Management fee paid by Christian Horizons                      | \$ 1,093,791 | \$ 899,570 |
| Consulting - leadership development paid by Christian Horizons | 196,000      | 190,000    |
| Program costs charged to Christian Horizons (Canada)           | 1,802,733    | 2,088,437  |
| Payment received from Christian Horizons for properties held   | 18,747       | 18,747     |

# CHRISTIAN HORIZONS (CANADA)

Notes to Financial Statements, continued

Year ended March 31, 2016

## 9. 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 throughout the world. Christian Horizons Global is incorporated under the laws of Canada as a non-profit organization without share capital. Christian Horizons Global is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

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

The following transactions occurred in the year ended March 31:

|  | 2016     | 2015     |
|--|----------|----------|
| Management fee paid by Christian Horizons Global   | \$ 7,488 | \$ 5,784 |
| Donations transferred to Christian Horizons Global | 327,848  | 146,794  |

## 10. 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 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.

### (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 funds held.

### (d) Credit risk:

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

## 11. Economic interest:

Christian Horizons Foundation granted \$46,000 (2015 - \$16,000) during the year to the Organization to fund projects at Christian Horizons.