

Financial Statements of

**CHRISTIAN HORIZONS
(CANADA)**

Year ended March 31, 2018



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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, 2018, 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.



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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018, 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

Waterloo, Canada

June 25, 2018

CHRISTIAN HORIZONS (CANADA)

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	Operating	Capital	Restricted	2018 Total	2017 Total
Assets					
Current assets:					
Cash	\$ 2,595,050	\$ -	\$ -	\$ 2,595,050	\$ 1,667,667
Accounts receivable	94,526	-	-	94,526	120,137
	<u>2,689,576</u>			<u>2,689,576</u>	<u>1,787,804</u>
Capital assets (note 2)	-	941,040	-	941,040	982,811
	<u>\$ 2,689,576</u>	<u>\$ 941,040</u>	<u>\$ -</u>	<u>\$ 3,630,616</u>	<u>\$ 2,770,615</u>

Liabilities and Fund Balances

Current liabilities:					
Accounts payable and accrued liabilities (note 3)	\$ 139,739	\$ -	\$ -	\$ 139,739	\$ 99,174
Interfund payable (receivable)	196,455	486,831	(683,286)	-	-
Deferred revenue	60,000	-	-	60,000	-
Current portion of long-term debt (note 4)	-	17,262	-	17,262	40,794
	<u>396,194</u>	<u>504,093</u>	<u>(683,286)</u>	<u>217,001</u>	<u>139,968</u>
Long-term debt (note 4)	-	5,855	-	5,855	-
Accrued pension liability (note 5)	1,234,747	-	-	1,234,747	1,056,765
Fund balances	1,058,635	431,092	683,286	2,173,013	1,573,882
	<u>\$ 2,689,576</u>	<u>\$ 941,040</u>	<u>\$ -</u>	<u>\$ 3,630,616</u>	<u>\$ 2,770,615</u>

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, 2018, with comparative information for 2017

	Operating	Capital	Restricted	2018 Total	2017 Total
Revenue:					
Per diem revenue	\$ 1,868,219	\$ -	\$ 51,445	\$ 1,919,664	\$ 2,038,045
Vacation and excursion fees	-	-	-	-	331,018
Donations and grants	500	-	398,110	398,610	504,012
Management fees	1,237,186	-	-	1,237,186	1,173,181
Consulting fees	218,562	-	-	218,562	211,000
Rental and miscellaneous	21,019	60,613	-	81,632	53,341
	3,345,486	60,613	449,555	3,855,654	4,310,597
Expenses:					
Salaries	938,703	-	-	938,703	1,038,267
Benefits	462,828	-	-	462,828	444,831
Purchased services	1,384,701	-	30,958	1,415,659	1,636,891
Travel	77,333	-	17,259	94,592	175,183
Supplies and miscellaneous	34,781	-	15,802	50,583	126,181
Amortization	-	42,090	-	42,090	41,401
Utilities and taxes	8,429	-	120	8,549	9,822
Rent	-	-	4,910	4,910	227,548
Interest and bank charges	3,360	1,069	1,199	5,628	10,113
Furniture and equipment	-	-	9,439	9,439	2,123
Repairs and maintenance	-	-	32,584	32,584	2,128
Insurance	10,186	-	-	10,186	12,055
Gifts to Christian Horizons Global (note 7)	-	-	195,339	195,339	200,677
	2,920,321	43,159	307,610	3,271,090	3,927,220
Excess of revenue over expenses	425,165	17,454	141,945	584,564	383,377
Fund balances, beginning of year	618,903	413,638	541,341	1,573,882	1,187,009
Remeasurement gains on accrued pension liability	14,567	-	-	14,567	3,496
Fund balances, end of year	\$ 1,058,635	\$ 431,092	\$ 683,286	\$ 2,173,013	\$ 1,573,882

See accompanying notes to financial statements.

CHRISTIAN HORIZONS (CANADA)

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 584,564	\$ 383,377
Items not involving cash:		
Amortization of capital assets	42,090	41,401
Accrued pension liability	192,549	166,852
Change in non-cash operating working capital (note 6)	126,176	(191,704)
	<u>945,379</u>	<u>399,926</u>
Financing:		
Repayment of long-term debt, net	(17,677)	(17,110)
Investments:		
Purchase of capital assets	(319)	(541,576)
Increase (decrease) in cash	<u>927,383</u>	<u>(158,760)</u>
Cash, beginning of year	1,667,667	1,826,427
Cash, end of year	<u>\$ 2,595,050</u>	<u>\$ 1,667,667</u>

See accompanying notes to financial statements.

CHRISTIAN HORIZONS (CANADA)

Notes to Financial Statements

Year ended March 31, 2018

Christian Horizons (Canada) (the "Organization") is a non-profit faith-based charitable Organization founded in 1977. The Organization works with people who experience disabilities through residential 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%

(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, 2018

1. Significant accounting policies (continued):

(e) 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 January 1, 2015 to May 30, 2017, and the next required valuations range from January 1, 2019 to May 30, 2020.

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.

(f) 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.

CHRISTIAN HORIZONS (CANADA)

Notes to Financial Statements, continued

Year ended March 31, 2018

1. Significant accounting policies (continued):

(g) 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.

2. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 250,000	\$ -	\$ 250,000	\$ 250,000
Buildings	841,800	150,760	691,040	732,811
	\$ 1,091,800	\$ 150,760	\$ 941,040	\$ 982,811

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$15,900 (2017 - \$13,611), which includes amounts payable for payroll related taxes.

4. Long-term debt:

	2018	2017
3.29% mortgage on 23 Filice Court, Hamilton, repayable in monthly payments of \$1,562, including principal and interest, due on March 15, 2018	\$ -	\$ 40,794
3.59% mortgage on 23 Filice Court, Hamilton, repayable in monthly payments of \$1,484, including principal and interest, due on March 15, 2020	23,117	-
	23,117	40,794
Less current portion of long-term debt	17,262	40,794
	\$ 5,855	\$ -

CHRISTIAN HORIZONS (CANADA)

Notes to Financial Statements, continued

Year ended March 31, 2018

4. Long-term debt (continued):

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

2019	\$	17,262
2020		5,855
	\$	23,117

5. Accrued pension liability:

	2018	2017
Accrued pension obligation	\$ (2,976,206)	\$ (2,522,482)
Plan assets	1,741,459	1,465,717
Accrued pension liability	\$ (1,234,747)	\$ (1,056,765)

6. Change in non-cash operating working capital:

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

	2018	2017
Decrease (increase) in current assets:		
Accounts receivable	\$ 25,611	\$ (10,009)
Prepaid expenses and deposits	-	10,134
	25,611	125
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	40,565	(63,610)
Deferred revenue	60,000	(128,219)
	100,565	(191,829)
	\$ 126,176	\$ (191,704)

CHRISTIAN HORIZONS (CANADA)

Notes to Financial Statements, continued

Year ended March 31, 2018

7. Related party transactions:

(a) Christian Horizons:

Christian Horizons is an independent organization which works with people who experience disabilities 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:

	2018	2017
Management fee paid by Christian Horizons	\$ 1,229,567	\$ 1,165,606
Consulting - leadership development paid by Christian Horizons	218,562	211,000
Program costs charged by Christian Horizons	913,268	1,064,809
Payment received from Christian Horizons for properties held	60,613	51,775

(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:

	2018	2017
Management fee paid by Christian Horizons Global	\$ 7,620	\$ 7,575
Donations transferred to Christian Horizons Global	195,339	200,677

CHRISTIAN HORIZONS (CANADA)

Notes to Financial Statements, continued

Year ended March 31, 2018

8. 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.

9. Economic interest:

Christian Horizons Foundation granted \$34,000 (2017 - \$25,000) during the year to the Organization to fund projects.

10. Comparative information:

Comparative information on the statement of operations has been reclassified to conform to the current year's presentation.