

Financial Statements of

CHRISTIAN HORIZONS

Year ended March 31, 2016



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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, 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 financial position of Christian Horizons 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

Chartered Professional Accountants, Licensed Public Accountants

June 27, 2016
Waterloo, Canada

CHRISTIAN HORIZONS

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	Operating	Government Capital	2016 Total	2015 Total
Assets				
Current assets:				
Cash	\$ 7,608,657	\$ -	\$ 7,608,657	\$ 11,375,615
Short-term investments	3,829,883	-	3,829,883	3,992,448
Subsidies receivable	603,844	-	603,844	650,505
Accounts receivable	2,406,626	15,023	2,421,649	2,106,636
Prepaid expenses and deposits	345,155	-	345,155	185,860
	14,794,165	15,023	14,809,188	18,311,064
Note receivable from Christian Horizons (Canada) (note 2)	-	-	-	50,000
Capital assets (notes 3 and 4)	-	32,205,998	32,205,998	34,188,479
	\$ 14,794,165	\$ 32,221,021	\$ 47,015,186	\$ 52,549,543

Liabilities and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities (note 6)	\$ 13,070,630	\$ -	\$ 13,070,630	\$ 16,472,065
Interfund payable (receivable)	987,160	(987,160)	-	-
Deferred revenue	23,985	76,416	100,401	59,850
Capital replacement reserve	39,240	-	39,240	31,010
Current portion of long-term debt (note 7)	-	218,432	218,432	1,074,954
	14,121,015	(692,312)	13,428,703	17,637,879
Long-term debt (note 7)	-	2,856,672	2,856,672	2,301,255
Fund balances	673,150	30,056,661	30,729,811	32,610,409
Commitments (note 8)				
Subsequent events (notes 7 and 13)				
	\$ 14,794,165	\$ 32,221,021	\$ 47,015,186	\$ 52,549,543

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, 2016, with comparative information for 2015

	Government		2016	2015
	Operating	Capital	Total	Total
Revenue:				
Provincial subsidy	\$ 132,068,006	\$ -	\$ 132,068,006	\$ 124,291,150
Residents	10,803,839	-	10,803,839	10,671,938
Third party funding	4,394,530	48,208	4,442,738	2,898,228
Special needs funding	758,493	-	758,493	811,242
Miscellaneous revenue	41,630	66,049	107,679	101,341
Interest income	164,769	72,239	237,008	246,984
Transfers	(620,753)	620,753	-	-
Gain on disposal of capital assets and investments	98,094	158,416	256,510	432,898
	147,708,608	965,665	148,674,273	139,453,781
Expenses:				
Salaries	99,427,544	-	99,427,544	93,872,751
Benefits	16,932,283	-	16,932,283	16,137,032
Travel	1,396,647	-	1,396,647	1,174,518
Training	461,255	-	461,255	232,705
Purchased services	5,451,891	-	5,451,891	5,566,335
Management fee	1,093,791	-	1,093,791	899,570
Supplies and miscellaneous	2,169,960	-	2,169,960	1,736,805
Food	2,932,671	-	2,932,671	2,795,799
Rent - premises	3,505,796	-	3,505,796	2,846,469
Rent - other	1,236,527	-	1,236,527	1,312,946
Utilities and taxes	2,410,443	-	2,410,443	2,554,484
Insurance	1,180,086	-	1,180,086	1,100,524
Repairs and maintenance	6,486,781	156,425	6,643,206	4,619,665
Furniture and equipment	1,738,389	-	1,738,389	1,507,651
Amortization	-	2,286,020	2,286,020	2,380,489
Vehicles	1,579,746	-	1,579,746	1,610,985
Personal needs	1,474,842	-	1,474,842	1,241,451
Interest on long-term debt	-	106,142	106,142	119,270
Christian Horizons (Canada)	(1,802,733)	-	(1,802,733)	(2,088,437)
	147,675,919	2,548,587	150,224,506	139,621,012
Excess (deficiency) of revenue over expenses before the undernoted	32,689	(1,582,922)	(1,550,233)	(167,231)
Change in fair value of investments	(330,365)	-	(330,365)	169,379
Excess (deficiency) of revenue over expenses	(297,676)	(1,582,922)	(1,880,598)	2,148
Fund balances, beginning of year	970,826	31,639,583	32,610,409	32,608,261
Fund balances, end of year	\$ 673,150	\$ 30,056,661	\$ 30,729,811	\$ 32,610,409

See accompanying notes to financial statements.

CHRISTIAN HORIZONS

Statement of Cash Flows

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

	2016	2015
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (1,880,598)	\$ 2,148
Items not involving cash:		
Change in fair value of investments	330,365	(169,379)
Amortization of capital assets	2,286,020	2,380,489
Gain on disposal of capital assets and investments	(256,510)	(432,898)
Change in non-cash operating working capital (note 10)	(3,780,301)	5,774,710
	<u>(3,301,024)</u>	<u>7,555,070</u>
Financing:		
Repayment of long-term debt	(301,105)	(291,888)
Investments:		
Purchase of capital assets	(510,513)	(1,090,995)
Proceeds on disposal of capital assets	365,390	511,358
Purchase of investments	(1,023,903)	(561,957)
Proceeds on disposal of investments	954,197	474,648
Repayment of note receivable from Christian Horizons (Canada)	50,000	100,000
	<u>(164,829)</u>	<u>(566,946)</u>
Increase (decrease) in cash	(3,766,958)	6,696,236
Cash, beginning of year	11,375,615	4,679,379
Cash, end of year	<u>\$ 7,608,657</u>	<u>\$ 11,375,615</u>

See accompanying notes to financial statements.

CHRISTIAN HORIZONS

Notes to Financial Statements

Year ended March 31, 2016

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 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 Province of Saskatchewan 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 and Province of Saskatchewan.

(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, or as an excess of revenue over expenses.

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, 2016

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. The note receivable was fully repaid during the year.

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2016

3. Capital assets:

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	\$ 13,992,795	\$ -	\$ 13,992,795	\$ 14,028,795
Buildings	42,546,276	26,002,387	16,543,889	18,254,825
Vehicles	2,482,498	1,464,410	1,018,088	1,122,762
Leasehold improvements	2,122,715	1,471,489	651,226	782,097
	<u>\$ 61,144,284</u>	<u>\$ 28,938,286</u>	<u>\$ 32,205,998</u>	<u>\$ 34,188,479</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.

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, 2016, there is no amount drawn against the operating demand facility (2015 - \$nil).

As at March 31, 2016, issued letters of guarantee are \$68,040 (2015 - \$68,040).

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$1,706,530 (2015 - \$3,385,085) which consists primarily of amounts payable for payroll related taxes.

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2016

7. Long-term debt:

	2016	2015
Secured by restricted assets (note 4)		
Funded by Ministry of Community and Social Services		
2.27% mortgage on 45 Bluehaven Crescent, Toronto, repayable in monthly payments of \$1,715, including principal and interest, due on July 1, 2017	\$ 154,768	171,644
2.65% mortgage on 590 Commissioners Road West, London, repayable in monthly payments of \$864, including principal and interest due, April 1, 2016. Subsequent to year end, the mortgage was refinanced with interest at 1.110%, repayable in monthly payments of \$811, including principal and interest, due April 1, 2021	78,216	87,074
3.47% term loan secured by select properties, repayable in monthly instalments of \$15,052, including principal and interest, due on March 31, 2018	1,699,436	1,818,652
3.6% term loan secured by select properties, repayable in monthly instalments of \$5,136, including principal and interest, due on December 31, 2019	774,346	-
3.6% term loan secured by select properties, repayable in monthly instalments of \$5,660, including principal and interest, due on December 31, 2015	-	889,503
2.18% mortgage on 146 Viewmount Avenue, Toronto, repayable in monthly payments of \$2,762, including principal and interest, due on September 1, 2019	257,004	284,245
2.35% mortgage on 330 Eglerslie Avenue, Toronto, repayable in monthly payments of \$1,378, including principal and interest, due on July 1, 2019	111,334	125,091
	3,075,104	3,376,209
Less current portion of long-term debt	218,432	1,074,954
	\$ 2,856,672	\$ 2,301,255

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

2017	\$ 218,432
2018	1,800,280
2019	89,301
2020	924,368
2021	9,312
Thereafter	33,411
	\$ 3,075,104

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2016

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:

2017	\$ 3,017,078
2018	2,499,618
2019	1,879,051
2020	1,551,108
2021	811,617
	<u>\$ 9,758,472</u>

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. 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 relates to those contracts.

10. 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:		
Subsidies receivable	\$ 46,661	\$ (650,505)
Accounts receivable	(315,013)	(368,293)
Prepaid expenses and deposits	(159,295)	(6,719)
	<u>(427,647)</u>	<u>(1,025,517)</u>
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(3,401,435)	6,968,277
Subsidies payable	-	(95,299)
Deferred revenue	40,551	(88,017)
Capital replacement reserve	8,230	15,266
	<u>(3,352,654)</u>	<u>6,800,227</u>
	<u>\$ (3,780,301)</u>	<u>\$ 5,774,710</u>

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2016

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:

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

(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:

	2016	2015
Shared services paid by Christian Horizons Global	\$ 42,000	\$ 37,060

(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 Board of Directors of the Organization is also the Board of Directors of Xeorixs Homes.

During the year, the Organization received from Xeorixs Homes \$24,120 (2015 - \$24,840) for administrative services provided by the Organization.

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2016

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.

(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. Subsequent event:

On April 4, 2016, the Board of Directors and membership approved the amalgamation of the Organization with Menno Homes of Sask. Inc. (Menno Homes). The amalgamation is effective on July 1, 2016.

Menno Homes provides services and supports individuals with exceptional needs in residential and ancillary programs in the Province of Saskatchewan.