

Financial Statements of

CHRISTIAN HORIZONS

Year ended March 31, 2018



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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, 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 financial position of Christian Horizons 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

Statement of Financial Position

March 31, 2018, with comparative information for 2017

| | Government | | | 2018 | 2017 |
|--------------------------------|---------------|---------------|------------|---------------|---------------|
| | Operating | Capital | Restricted | Total | Total |
| Assets | | | | | |
| Current assets: | | | | | |
| Cash | \$ 5,947,210 | \$ - | \$ 91,093 | \$ 6,038,303 | \$ 5,389,641 |
| Short-term investments | 4,491,620 | - | 651,391 | 5,143,011 | 4,937,827 |
| Subsidies receivable | 110,555 | 741,821 | - | 852,376 | 567,043 |
| Accounts receivable | 2,609,952 | 104,700 | - | 2,714,652 | 2,583,881 |
| Prepaid expenses and deposits | 246,153 | - | - | 246,153 | 235,849 |
| | 13,405,490 | 846,521 | 742,484 | 14,994,495 | 13,714,241 |
| Capital assets (notes 2 and 3) | - | 33,791,842 | - | 33,791,842 | 34,367,130 |
| | \$ 13,405,490 | \$ 34,638,363 | \$ 742,484 | \$ 48,786,337 | \$ 48,081,371 |


Liabilities and Fund Balances

| | | | | | |
|---|---------------|---------------|------------|---------------|---------------|
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities (note 5) | \$ 11,137,143 | \$ - | \$ - | \$ 11,137,143 | \$ 9,612,966 |
| Interfund payable (receivable) | 687,581 | (103,825) | (583,756) | - | - |
| Deferred revenue | 230,391 | 40,000 | - | 270,391 | 340,347 |
| Current portion of long-term debt (note 6) | - | 877,495 | - | 877,495 | 2,959,852 |
| | 12,055,115 | 813,670 | (583,756) | 12,285,029 | 12,913,165 |
| Long-term debt (note 6) | - | 2,928,126 | - | 2,928,126 | 1,106,945 |
| Fund balances | 1,350,375 | 30,896,567 | 1,326,240 | 33,573,182 | 34,061,261 |
| Commitments (note 7) | | | | | |
| Subsequent event (notes 4 and 6) | | | | | |
| | \$ 13,405,490 | \$ 34,638,363 | \$ 742,484 | \$ 48,786,337 | \$ 48,081,371 |

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, 2018, with comparative information for 2017

| | Government | | | 2018 | 2017 |
|---|----------------|---------------|--------------|---------------|----------------|
| | Operating | Capital | Restricted | Total | Total |
| Revenue: | | | | | |
| Provincial subsidy | \$ 149,951,095 | \$ 1,645,000 | \$ - | \$151,596,095 | \$ 141,379,026 |
| Residents | 11,536,226 | - | - | 11,536,226 | 11,222,708 |
| Third party funding | 5,457,053 | 99,557 | - | 5,556,610 | 6,042,541 |
| Special needs funding | 323,654 | - | - | 323,654 | 596,921 |
| Miscellaneous revenue | 38,452 | 44,060 | - | 82,512 | 219,264 |
| Interest income | 222,577 | 138,037 | 12,224 | 372,838 | 282,549 |
| Transfers | (1,525,602) | 1,442,206 | 83,396 | - | - |
| Gain (loss) on disposal of capital assets (note 3) | - | (1,000,450) | - | (1,000,450) | 205,754 |
| | 166,003,455 | 2,368,410 | 95,620 | 168,467,485 | 159,948,763 |
| Expenses: | | | | | |
| Salaries | 110,307,346 | - | 49,184 | 110,356,530 | 106,236,120 |
| Benefits | 19,435,294 | - | - | 19,435,294 | 18,857,513 |
| Travel | 1,258,683 | - | - | 1,258,683 | 1,294,924 |
| Training | 408,046 | - | - | 408,046 | 417,679 |
| Purchased services | 6,809,736 | 10,829 | - | 6,820,565 | 5,883,275 |
| Management fee | 1,229,567 | - | - | 1,229,567 | 1,165,606 |
| Supplies and miscellaneous | 1,964,698 | - | - | 1,964,698 | 2,000,281 |
| Food | 3,168,857 | - | - | 3,168,857 | 3,126,975 |
| Rent - premises | 4,515,307 | - | - | 4,515,307 | 4,118,672 |
| Rent - other | 1,066,271 | - | - | 1,066,271 | 1,209,893 |
| Utilities and taxes | 2,731,652 | - | - | 2,731,652 | 2,807,667 |
| Insurance | 1,296,323 | - | - | 1,296,323 | 1,250,732 |
| Repairs and maintenance | 7,622,354 | 307,073 | - | 7,929,427 | 5,990,540 |
| Furniture and equipment | 1,816,541 | - | - | 1,816,541 | 1,676,416 |
| Amortization | - | 2,708,501 | - | 2,708,501 | 2,550,462 |
| Vehicles | 1,667,488 | - | - | 1,667,488 | 1,523,533 |
| Personal needs | 1,499,540 | - | - | 1,499,540 | 1,363,116 |
| Interest on long-term debt | - | 106,857 | - | 106,857 | 155,685 |
| Recovery from Christian Horizons (Canada) | (913,268) | - | - | (913,268) | (1,064,809) |
| | 165,884,435 | 3,133,260 | 49,184 | 169,066,879 | 160,564,280 |
| Excess (deficiency) of revenue over expenses before the undernoted | | | | | |
| | 119,020 | (764,850) | 46,436 | (599,394) | (615,517) |
| Change in fair value of investments | | | | | |
| | 111,315 | - | - | 111,315 | 399,522 |
| Excess (deficiency) of revenue over expenses | | | | | |
| | 230,335 | (764,850) | 46,436 | (488,079) | (215,995) |
| Fund balances, beginning of year | | | | | |
| | 1,120,040 | 31,661,417 | 1,279,804 | 34,061,261 | 34,277,256 |
| Fund balances, end of year | | | | | |
| | \$ 1,350,375 | \$ 30,896,567 | \$ 1,326,240 | \$ 33,573,182 | \$ 34,061,261 |

See accompanying notes to financial statements.

CHRISTIAN HORIZONS

Statement of Cash Flows

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

| | 2018 | 2017 |
|---|--------------|--------------|
| Cash provided by (used in): | | |
| Operations: | | |
| Deficiency of revenue over expenses | \$ (488,079) | \$ (215,995) |
| Items not involving cash: | | |
| Change in fair value of investments | (111,315) | (399,522) |
| Amortization of capital assets | 2,708,501 | 2,550,462 |
| Loss (gain) on disposal of capital assets | 1,000,450 | (205,754) |
| Change in non-cash operating working capital (note 8) | 1,027,813 | (3,665,923) |
| | 4,137,370 | (1,936,732) |
| Financing: | | |
| Repayment of long-term debt | (1,734,339) | (615,263) |
| Advances of long-term debt | 1,473,163 | - |
| | (261,176) | (615,263) |
| Investments: | | |
| Purchase of capital assets | (3,157,393) | (1,184,615) |
| Proceeds on disposal of capital assets | 23,730 | 785,948 |
| Purchase of investments | (1,143,832) | (515,226) |
| Proceeds on disposal of investments | 1,049,963 | 706,613 |
| | (3,227,532) | (207,280) |
| Increase (decrease) in cash | 648,662 | (2,759,275) |
| Cash, beginning of year | 5,389,641 | 8,148,916 |
| Cash, end of year | \$ 6,038,303 | \$ 5,389,641 |

See accompanying notes to financial statements.

CHRISTIAN HORIZONS

Notes to Financial Statements

Year ended March 31, 2018

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 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.

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, 2018

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, 2018

2. Capital assets:

| | Cost | Accumulated amortization | 2018 Net book value | 2017 Net book value |
|-----------------------------------|----------------------|-----------------------------|---------------------------|---------------------------|
| Land | \$ 14,009,494 | \$ - | \$ 14,009,494 | \$ 13,999,817 |
| Buildings | 47,320,787 | 29,763,554 | 17,557,233 | 18,313,942 |
| Vehicles, furniture and equipment | 5,085,112 | 3,270,096 | 1,815,016 | 1,522,709 |
| Leasehold improvements | 2,146,085 | 1,735,986 | 410,099 | 530,662 |
| | <u>\$ 68,561,478</u> | <u>\$ 34,769,636</u> | <u>\$ 33,791,842</u> | <u>\$ 34,367,130</u> |

3. 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.

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

4. Operating line:

The Organization has available a \$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, 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, 2018, \$1,473,163 (2017 - \$nil) is drawn against the operating demand facility. Subsequent to year end the operating demand facility was converted to a term loan (note 6).

As at March 31, 2018, issued letters of guarantee are \$68,040 (2017 - \$68,040).

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$1,637,313 (2017 - \$2,272,313) which consists primarily of amounts payable for payroll related taxes.

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2018

6. Long-term debt:

| | 2018 | 2017 |
|--|------------|-----------|
| Secured by restricted assets (note 3) | | |
| Funded by Provincial Ministries: | | |
| 1.915% mortgage on land and building, repayable in monthly payments of \$1,695, including principal and interest, due on July 1, 2022 | \$ 119,718 | \$ - |
| 1.110%, mortgage on land and building, repayable in monthly payments of \$811, including principal and interest, due on April 1, 2021 | 61,038 | 70,044 |
| 3.47% term loan secured by land and buildings, repayable in monthly payments of \$15,052, including principal and interest, due on March 31, 2018 | - | 1,245,302 |
| 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 | 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 | 704,471 | 740,036 |
| 2.18% mortgage on land and building, repayable in monthly payments of \$2,762, including principal and interest, due on September 1, 2019 | 200,717 | 229,165 |
| 2.35% mortgage on land and building, repayable in monthly payments of \$1,378, including principal and interest, due on July 1, 2019 | 82,836 | 97,252 |
| 1.83%, mortgage on land and building, repayable in monthly payments of \$732, including principal and interest, due on March 1, 2025 | 57,653 | 65,295 |
| 3.10% mortgage on land and building, repayable in monthly payments of \$3,951, including principal and interest, due on August 31, 2017 | - | 740,630 |
| 3.70% mortgage on land and building, repayable in monthly payments of \$765, including principal and interest, due on December 22, 2017 | - | 83,942 |
| 2.27% mortgage on land and building, repayable in monthly payments of \$1,715, including principal and interest, due on July 1, 2017 | - | 137,508 |
| Carried forward | 2,332,458 | 3,409,174 |

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2018

6. Long-term debt (continued):

| | 2018 | 2017 |
|--|--------------|--------------|
| Carried forward | 2,332,458 | 3,409,174 |
| 3.10% mortgage on land and building, repayable in monthly payments of \$3,508, including principal and interest, due on August 31, 2017 | - | 657,623 |
| 3.95% interest only unsecured loan, due on demand. Subsequent to year end, this demand facility was converted to a 3.95% term loan, secured by land and buildings, repayable in monthly payments of \$10,216, including principal and interest, due on June 15, 2021 | 1,473,163 | - |
| | 3,805,621 | 4,066,797 |
| Less current portion of long-term debt | 877,495 | 2,959,852 |
| | \$ 2,928,126 | \$ 1,106,945 |

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:

| | |
|------------|--------------|
| 2019 | \$ 877,495 |
| 2020 | 1,019,645 |
| 2021 | 448,717 |
| 2022 | 1,389,372 |
| 2023 | 53,126 |
| Thereafter | 17,266 |
| | \$ 3,805,621 |

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2018

7. 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:

| | | |
|------|----|-----------|
| 2019 | \$ | 3,068,504 |
| 2020 | | 2,239,155 |
| 2021 | | 1,569,404 |
| 2022 | | 1,086,197 |
| 2023 | | 336,282 |
| | \$ | 8,299,542 |

8. 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: | | |
| Subsidies receivable | \$ (285,333) | \$ 36,801 |
| Accounts receivable | (130,771) | (154,339) |
| Prepaid expenses and deposits | (10,304) | 189,870 |
| | (426,408) | 72,332 |
| Increase (decrease) in current liabilities: | | |
| Accounts payable and accrued liabilities | 1,524,177 | (3,729,260) |
| Deferred revenue | (69,956) | (8,995) |
| | 1,454,221 | (3,738,255) |
| | \$ 1,027,813 | \$ (3,665,923) |

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2018

9. 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:

| | 2018 | 2017 |
|---|--------------|--------------|
| Management fee paid to Christian Horizons (Canada) | \$ 1,229,567 | \$ 1,165,606 |
| Consulting - leadership development paid to Christian Horizons (Canada) | 218,562 | 211,000 |
| Program costs charged to Christian Horizons (Canada) | 913,268 | 1,064,809 |
| Payment on properties held by Christian Horizons (Canada) | 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 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:

| | 2018 | 2017 |
|---|-----------|-----------|
| Shared services paid by Christian Horizons Global | \$ 41,880 | \$ 40,489 |

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2018

9. Related party transactions (continued):

(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 \$24,840 (2017 - \$25,987) for administrative services provided by the Organization.

At March 31, 2018, there is \$11,697 (2017 - \$58,158) due from Xeorixs Homes that is included in accounts receivable.

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 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, 2018

10. 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 Province of Saskatchewan.