

Financial Statements of

# **CHRISTIAN HORIZONS**

Year ended March 31, 2017



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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, 2017, 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, 2017, 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 26, 2017  
Waterloo, Canada

# CHRISTIAN HORIZONS

## Statement of Financial Position

March 31, 2017, with comparative information for 2016

	Government			2017	2016
	Operating	Capital	Restricted	Total	Total
					(Note 2 – Restated)
<b>Assets</b>					
Current assets:					
Cash	\$ 5,298,775	\$ -	\$ 90,866	\$ 5,389,641	\$ 8,148,916
Short-term investments	4,298,433	-	639,394	4,937,827	4,729,692
Subsidies receivable	567,043	-	-	567,043	603,844
Accounts receivable	2,568,729	15,152	-	2,583,881	2,411,462
Prepaid expenses and deposits	235,849	-	-	235,849	425,719
	12,968,829	15,152	730,260	13,714,241	16,319,633
Capital assets (notes 3 and 4)	-	34,367,130	-	34,367,130	36,313,171
	\$ 12,968,829	\$ 34,382,282	\$ 730,260	\$ 48,081,371	\$ 52,632,804

## Liabilities and Fund Balances

Current liabilities:					
Accounts payable and accrued liabilities (note 6)	\$ 9,612,966	\$ -	\$ -	\$ 9,612,966	\$ 13,324,146
Interfund payable (receivable)	1,953,684	(1,404,140)	(549,544)	-	-
Deferred revenue	282,139	58,208	-	340,347	349,342
Current portion of long-term debt (note 7)	-	2,959,852	-	2,959,852	274,608
	11,848,789	1,613,920	(549,544)	12,913,165	13,948,096
Long-term debt (note 7)	-	1,106,945	-	1,106,945	4,407,452
Fund balances	1,120,040	31,661,417	1,279,804	34,061,261	34,277,256
Commitments (note 8)					
	\$ 12,968,829	\$ 34,382,282	\$ 730,260	\$ 48,081,371	\$ 52,632,804

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, 2017, with comparative information for 2016

	Government			2017	2016
	Operating	Capital	Restricted	Total	Total
					(Note 2 – Restated)
<b>Revenue:</b>					
Provincial subsidy	\$ 141,224,865	\$ -	\$ 154,161	\$141,379,026	\$ 136,744,134
Residents	11,222,708	-	-	11,222,708	11,030,958
Third party funding	6,020,083	18,208	4,250	6,042,541	4,882,196
Special needs funding	596,921	-	-	596,921	758,493
Miscellaneous revenue	116,207	74,207	28,850	219,264	161,250
Interest income	152,254	117,724	12,571	282,549	259,853
Donations	-	-	-	-	41,708
Transfers	(1,487,642)	1,457,154	30,488	-	-
Gain on disposal of capital assets and investments	-	205,754	-	205,754	218,240
	157,845,396	1,873,047	230,320	159,948,763	154,096,832
<b>Expenses:</b>					
Salaries	106,219,043	-	17,077	106,236,120	103,410,501
Benefits	18,857,513	-	-	18,857,513	17,501,336
Travel	1,294,924	-	-	1,294,924	1,434,010
Training	417,679	-	-	417,679	514,481
Purchased services	5,878,275	-	5,000	5,883,275	5,480,586
Management fee	1,165,606	-	-	1,165,606	1,093,791
Supplies and miscellaneous	1,979,517	20,764	-	2,000,281	2,354,685
Food	3,126,975	-	-	3,126,975	3,101,950
Rent - premises	4,118,672	-	-	4,118,672	3,549,110
Rent - other	1,209,893	-	-	1,209,893	1,236,527
Utilities and taxes	2,807,667	-	-	2,807,667	2,525,900
Insurance	1,250,732	-	-	1,250,732	1,216,631
Repairs and maintenance	5,878,602	-	111,938	5,990,540	6,686,835
Furniture and equipment	1,621,921	-	54,495	1,676,416	1,756,783
Amortization	-	2,550,462	-	2,550,462	2,415,049
Vehicles	1,523,533	-	-	1,523,533	1,579,746
Personal needs	1,363,116	-	-	1,363,116	1,476,983
Interest on long-term debt	-	155,685	-	155,685	159,580
Christian Horizons (Canada)	(1,064,809)	-	-	(1,064,809)	(1,802,732)
	157,648,859	2,726,911	188,510	160,564,280	155,691,752
<b>Excess (deficiency) of revenue over expenses before the undernoted</b>	196,537	(853,864)	41,810	(615,517)	(1,594,920)
<b>Change in fair value of investments</b>	399,522	-	-	399,522	(330,365)
<b>Excess (deficiency) of revenue over expenses</b>	596,059	(853,864)	41,810	(215,995)	(1,925,285)
<b>Fund balances, beginning of year</b>	720,518	32,515,281	1,041,457	34,277,256	36,202,541
<b>Interfund transfers</b>	(196,537)	-	196,537	-	-
<b>Fund balances, end of year</b>	\$ 1,120,040	\$ 31,661,417	\$ 1,279,804	\$ 34,061,261	\$ 34,277,256

See accompanying notes to financial statements.

# CHRISTIAN HORIZONS

## Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
		(Note 2 – Restated)
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (215,995)	\$ (1,925,285)
Items not involving cash:		
Change in fair value of investments	(399,522)	330,365
Amortization of capital assets	2,550,462	2,415,049
Gain on disposal of capital assets and investments	(205,754)	(218,240)
Change in non-cash operating working capital (note 9)	(3,665,923)	(3,473,618)
	(1,936,732)	(2,871,729)
Financing:		
Repayment of long-term debt	(615,263)	(301,105)
Advances of long-term debt	-	98,485
	(615,263)	(202,620)
Investments:		
Purchase of capital assets	(1,184,615)	(1,242,329)
Proceeds on disposal of capital assets	785,948	725,064
Purchase of investments	(515,226)	(1,023,903)
Proceeds on disposal of investments	706,613	954,197
Repayment of note receivable from Christian Horizons (Canada)	-	50,000
	(207,280)	(536,971)
Decrease in cash	(2,759,275)	(3,611,320)
Cash, beginning of year	8,148,916	11,760,236
Cash, end of year	\$ 5,389,641	\$ 8,148,916

See accompanying notes to financial statements.

# CHRISTIAN HORIZONS

Notes to Financial Statements

Year ended March 31, 2017

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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 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, 2017

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## 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, 2017

## 2. Restatement of comparative information:

On July 1, 2016, the Organization was amalgamated with Menno Homes.

The financial statements have been prepared based on the pooling of interests method, with regards to the amalgamation of the Organization and Menno Homes of Sask Inc. ("Menno Homes"). This method of accounting requires that the financial statements are prepared as if the operations of the amalgamated entity were combined since inception. Accordingly, the current and comparative financial statements include the entire year of operations for the Organization and Menno Homes.

As a result, the comparative information has been restated as follows:

Statement of Financial Position:

	Christian Horizons	Menno Homes	Restated as at March 31, 2016
<b>Assets</b>			
Current assets	\$ 14,809,188	\$ 1,510,445	\$ 16,319,633
Long-term assets – capital assets	32,205,998	4,107,173	36,313,171
	<u>\$ 47,015,186</u>	<u>\$ 5,617,618</u>	<u>\$ 52,632,804</u>
<b>Liabilities and Fund Balances</b>			
Current liabilities	\$ 13,428,703	\$ 519,393	\$ 13,948,096
Long-term debt	2,856,672	1,550,780	4,407,452
Fund balances	30,729,811	3,547,445	34,277,256
	<u>\$ 47,015,186</u>	<u>\$ 5,617,618</u>	<u>\$ 52,632,804</u>

# CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2017

## 2. Restatement of comparative information (continued):

Statement of Operations and Changes in Fund Balances:

	Christian Horizons	Menno Homes	Restated as at March 31, 2016
Revenue	\$ 148,674,273	\$ 5,422,559	\$ 154,096,832
Expenses	150,224,506	5,467,246	155,691,752
Deficiency of revenue over expenses before the undernoted	(1,550,233)	(44,687)	(1,594,920)
Change in fair value of investments	(330,365)	-	(330,365)
Deficiency of revenue over expenses	(1,880,598)	(44,687)	(1,925,285)
Fund balances, beginning of year	32,610,409	3,592,132	36,202,541
Fund Balances, end of year	\$ 30,729,811	\$ 3,547,445	\$ 34,277,256

Statement of Cash Flows:

	Christian Horizons	Menno Homes	Restated as at March 31, 2016
Operations	\$ (3,301,024)	\$ 429,295	\$ (2,871,729)
Financing	(301,105)	98,485	(202,620)
Investments	(164,829)	(372,142)	(536,971)

# CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2017

### 3. Capital assets:

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value (Note 2 – Restated)
Land	\$ 13,999,817	\$ -	\$ 13,999,817	\$ 14,148,530
Buildings	46,800,660	28,486,718	18,313,942	20,157,828
Vehicles, furniture and equipment	4,213,597	2,690,888	1,522,709	1,352,073
Leasehold improvements	2,146,085	1,615,423	530,662	654,740
	<u>\$ 67,160,159</u>	<u>\$ 32,793,029</u>	<u>\$ 34,367,130</u>	<u>\$ 36,313,171</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, 2017, there is no amount drawn against the operating demand facility (2016 - \$nil).

As at March 31, 2017, issued letters of guarantee are \$68,040 (2016 - \$68,040).

### 6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$2,272,313 (2016 - \$1,710,462) which consists primarily of amounts payable for payroll related taxes.

# CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2017

## 7. Long-term debt:

	2017	2016 (Note 2 – Restated)
Secured by restricted assets (note 4)		
Funded by Provincial Ministries:		
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	\$ 154,768
2.65% mortgage on land and building, repayable in monthly payments of \$864, including principal and was repaid during the year	-	78,216
1.110%, mortgage on land and building, repayable in monthly payments of \$811, including principal and interest, due on April 1, 2021	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	1,699,436
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	740,036	774,346
2.18% mortgage on land and building, repayable in monthly payments of \$2,762, including principal and interest, due on September 1, 2019	229,165	257,004
2.35% mortgage on land and building, repayable in monthly payments of \$1,378, including principal and interest, due on July 1, 2019	97,252	111,334
1.83%, mortgage on land and building, repayable in monthly payments of \$732, including principal and interest, due on March 1, 2025	65,295	72,810
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	-
3.25% mortgage on land and building, repayable in monthly payments of \$4,009, including principal and interest, due August 31, 2016	-	678,792
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	-
3.25% mortgage on land and building, repayable in monthly payments of \$3,560, including principal and interest due August 31, 2016	-	764,471
3.70% mortgage on land and building, repayable in monthly payments of \$765, including principal and interest, due on December 22, 2018	83,942	90,883
	4,066,797	4,682,060
Less current portion of long-term debt	2,959,852	274,608
	\$ 1,106,945	\$ 4,407,452

# CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2017

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## 7. Long-term debt (continued):

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:

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2018	\$	2,959,852
2019		97,358
2020		924,922
2021		50,798
2022		8,224
Thereafter		25,643
	\$	4,066,797

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## 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:

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2018	\$	1,239,063
2019		2,258,184
2020		1,743,825
2021		1,073,679
2022		406,753
	\$	6,721,504

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# CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2017

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

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

	2017	2016
		(Note 2 – Restated)
Decrease (increase) in current assets:		
Subsidies receivable	\$ 36,801	\$ 46,661
Accounts receivable	(154,339)	(307,755)
Prepaid expenses and deposits	189,870	(188,075)
	72,332	(449,169)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(3,729,260)	(3,313,941)
Deferred revenue	(8,995)	289,492
	(3,738,255)	(3,024,449)
	\$ (3,665,923)	\$ (3,473,618)

## 10. 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:

	2017	2016
Management fee paid to Christian Horizons (Canada)	\$ 1,165,606	\$ 1,093,791
Consulting - leadership development paid to Christian Horizons (Canada)	211,000	196,000
Program costs charged to Christian Horizons (Canada)	1,064,809	1,802,733
Payment on properties held by Christian Horizons (Canada)	51,775	18,747

# CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2017

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## 10. 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 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:

	2017	2016
Shared services paid by Christian Horizons Global	\$ 40,489	\$ 42,000

(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 \$25,987 (2016 - \$24,120) for administrative services provided by the Organization.

At March 31, 2017, there is \$58,158 (2016 - \$109,833) due from Xeorixs Homes that is included in accounts receivable.

## 11. 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, 2017

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## 11. 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.