

Financial Statements of

CHRISTIAN HORIZONS

And Independent Auditors' Report thereon

Year ended March 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Christian Horizons

Opinion

We have audited the financial statements of Christian Horizons (the "Organization"), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged With Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Organization's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

July 5, 2021

CHRISTIAN HORIZONS

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	Government			2021	2020
	Operating	Capital	Restricted	Total	Total
Assets					
Current assets:					
Cash	\$ 15,643,886	\$ —	\$ 91,754	\$ 15,735,640	\$ 7,775,669
Investments (note 2)	5,313,691	—	752,121	6,065,812	4,844,436
Accounts receivable	2,742,782	—	—	2,742,782	3,467,723
Prepaid expenses and deposits	87,979	—	—	87,979	88,697
	23,788,338	—	843,875	24,632,213	16,176,525
Capital assets (notes 3 and 4)	—	30,905,606	—	30,905,606	32,141,541
	\$ 23,788,338	\$ 30,905,606	\$ 843,875	\$ 55,537,819	\$ 48,318,066
Liabilities and Fund Balances					
Current liabilities:					
Accounts payable and accrued liabilities (note 5)	\$ 18,435,179	\$ —	\$ —	\$ 18,435,179	\$ 12,449,703
Subsidies payable	1,581,909	—	—	1,581,909	633,628
Interfund payable (receivable)	1,280,471	(747,651)	(532,820)	—	—
Deferred revenue	590,554	—	—	590,554	195,366
Current portion of long-term debt (note 6)	—	2,517,562	—	2,517,562	550,012
	21,888,113	1,769,911	(532,820)	23,125,204	13,828,709
Long-term debt (note 6)	—	462,077	—	462,077	2,640,649
	21,888,113	2,231,988	(532,820)	23,587,281	16,469,358
Fund balances	1,900,225	28,673,618	1,376,695	31,950,538	31,848,708
Commitments (note 8)					
Impact of COVID-19 (note 12)					
	\$ 23,788,338	\$ 30,905,606	\$ 843,875	\$ 55,537,819	\$ 48,318,066

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, 2021, with comparative information for 2020

	Government			2021	2020
	Operating	Capital	Restricted	Total	Total
Revenue:					
Provincial subsidy	\$ 178,751,893	\$ –	\$ –	\$178,751,893	\$ 164,265,702
Residents	11,355,712	–	–	11,355,712	12,186,238
Third party funding	5,743,747	20,000	–	5,763,747	7,109,647
Miscellaneous revenue	332,535	81,971	–	414,506	725,375
Interest income	246,980	166,708	239	413,927	579,545
Transfers	(1,900,072)	1,857,098	42,974	–	–
	194,530,795	2,125,777	43,213	196,699,785	184,866,507
Expenses:					
Salaries	134,212,525	–	–	134,212,525	124,266,951
Benefits	25,371,281	–	–	25,371,281	23,041,041
Travel	262,797	–	–	262,797	1,205,499
Training	290,346	–	–	290,346	373,536
Purchased services	5,750,674	2,039	–	5,752,713	7,303,886
Management fee	1,388,695	–	–	1,388,695	1,194,114
Supplies and miscellaneous	3,875,600	–	50,000	3,925,600	1,792,030
Food	3,130,049	–	–	3,130,049	3,132,000
Rent - premises	5,320,819	–	–	5,320,819	5,453,876
Rent - other	583,116	–	–	583,116	848,696
Utilities and taxes	2,951,348	–	–	2,951,348	2,975,289
Insurance	1,286,173	–	–	1,286,173	1,325,115
Repairs and maintenance	4,274,747	–	20,495	4,295,242	4,454,386
Furniture and equipment	2,424,227	600	10,978	2,435,805	1,965,696
Amortization	–	2,961,238	–	2,961,238	2,647,295
Vehicles	1,458,758	–	–	1,458,758	1,738,642
Personal needs	1,949,640	–	–	1,949,640	2,234,176
Interest on long-term debt	–	116,983	–	116,983	121,809
Loss on disposal of capital assets	–	32,872	–	32,872	45,344
	194,530,795	3,113,732	81,473	197,726,000	186,119,381
Deficiency of revenue over expenses before the undernoted	–	(987,955)	(38,260)	(1,026,215)	(1,252,874)
Change in fair value of investments	1,128,045	–	–	1,128,045	(613,249)
Excess (deficiency) of revenue over expenses	1,128,045	(987,955)	(38,260)	101,830	(1,866,123)
Fund balances, beginning of year	772,180	29,661,573	1,414,955	31,848,708	33,714,831
Fund balances, end of year	\$ 1,900,225	\$ 28,673,618	\$ 1,376,695	\$ 31,950,538	\$ 31,848,708

See accompanying notes to financial statements.

CHRISTIAN HORIZONS

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 101,830	\$ (1,866,123)
Items not involving cash:		
Change in fair value of investments	(1,128,045)	613,249
Amortization of capital assets	2,961,238	2,647,295
Loss on disposal of capital assets	32,872	45,344
Change in non-cash operating working capital (note 9)	8,054,604	(746,860)
	10,022,499	692,905
Financing:		
Repayment of long-term debt	(211,022)	(205,820)
Investments:		
Purchase of capital assets	(1,758,175)	(1,107,402)
Purchase of investments	(950,168)	(1,316,674)
Proceeds on disposal of investments	856,837	1,169,160
Repayment of loan receivable	–	850,857
	(1,851,506)	(404,059)
Increase in cash	7,959,971	83,026
Cash, beginning of year	7,775,669	7,692,643
Cash, end of year	\$ 15,735,640	\$ 7,775,669

See accompanying notes to financial statements.

CHRISTIAN HORIZONS

Notes to Financial Statements

Year ended March 31, 2021

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 the Province of Saskatchewan for the purpose of supporting people who experience disabilities.

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 the 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, 2021

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, 2021

2. Investments:

	2021	2020
Cash and cash equivalents	\$ 924,288	\$ 769,967
Fixed income	1,018,064	953,673
Equities	3,976,284	2,611,209
Other assets	147,176	509,587
	<u>\$ 6,065,812</u>	<u>\$ 4,844,436</u>

3. Capital assets:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	\$ 14,261,531	\$ –	\$ 14,261,531	\$ 14,261,531
Buildings	47,884,706	34,932,107	12,952,599	14,663,525
Vehicles, furniture and equipment	7,265,693	5,201,781	2,063,912	1,380,900
Leasehold improvements	2,724,684	1,097,120	1,627,564	1,835,585
	<u>\$ 72,136,614</u>	<u>\$ 41,231,008</u>	<u>\$ 30,905,606</u>	<u>\$ 32,141,541</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. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$1,766,240 (2020 - \$1,596,663) which consists primarily of amounts payable for municipal tax, sales tax and payroll related taxes.

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2021

6. Long-term debt:

	2021	2020
Secured by restricted assets (note 4)		
Funded by Provincial Ministries:		
Banking facility:		
2.60% term loan secured by land and buildings, repayable in monthly payments of \$4,272, including principal and interest, due on March 31, 2024	\$ 306,418	\$ 346,427
4.07% term loan secured by land and buildings, repayable in monthly payments of \$5,284, including principal and interest, due on December 31, 2021	591,140	629,693
3.95% term loan, secured by land and buildings, repayable in monthly payments of \$10,216, including principal and interest, due on May 15, 2021	1,802,512	1,853,001
3.75% mortgage on land and building, repayable in monthly payments of \$1,417, including principal and interest, due on July 1, 2023	36,653	51,978
Other lenders:		
1.915% mortgage on land and building, repayable in monthly payments of \$1,695, including principal and interest, due on July 1, 2022	64,031	82,948
0.82%, mortgage on land and building, repayable in monthly payments of \$807, including principal and interest, due on September 1, 2024	33,411	42,723
2.22% mortgage on land and building, repayable in monthly payments of \$2,764, including principal and interest, due on September 1, 2024	111,609	141,950
1.83%, mortgage on land and building, repayable in monthly payments of \$732, including principal and interest, due on March 1, 2025	33,865	41,941
	2,979,639	3,190,661
Less current portion of long-term debt	(2,517,562)	(550,012)
	\$ 462,077	\$ 2,640,649

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2021

6. 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 are as follows:

2022	\$ 2,517,562
2023	155,723
2024	293,605
2025	12,749
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	\$ 2,979,639

7. Credit facility:

The Organization has available an aggregate borrowing facility of \$10,000,000 which includes a \$4,000,000 operating demand facility, a \$250,000 revolving demand facility for letters of guarantee and \$250,000 revolving lease line of credit. This facility is secured by a general security agreement, and a first charge over real property and bears interest at bank prime plus up to 1.00%. Fees for letters of guarantee are provided on a transaction by transaction basis.

As at March 31, 2021, \$nil (2020 - \$nil) is drawn against the operating demand facility. As at March 31, 2021, issued letters of guarantee are \$nil (2020 - \$nil). At year end \$8,197,468 (2020 - \$8,146,999) under the aggregate borrowing facility is available for use.

The Organization has provided a guarantee to the bank of Christian Horizons Foundation in the amount of \$6,500,000 (2020 - \$6,500,000).

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 and thereafter are as follows:

2022	\$ 3,138,518
2023	2,378,576
2024	1,622,762
2025	1,117,042
2026	910,571
Thereafter	2,786,977
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	\$ 11,954,446

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2021

9. Change in non-cash operating working capital:

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

	2021	2020
Decrease (increase) in current assets:		
Subsidies receivable	\$ –	\$ 741,821
Accounts receivable	724,941	(517,140)
Prepaid expenses and deposits	718	140,690
	725,659	365,371
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	5,985,476	(458,103)
Subsidies payable	948,281	(632,443)
Deferred revenue	395,188	(21,685)
	7,328,945	(1,112,231)
	\$ 8,054,604	\$ (746,860)

10. 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:

	2021	2020
Management fee paid to Christian Horizons (Canada)	\$ 1,388,695	\$ 1,194,114
Consulting - leadership development paid to Christian Horizons (Canada)	180,192	266,147
Payment on properties held by Christian Horizons (Canada)	60,613	60,613

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2021

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:

	2021	2020
Shared services paid by Christian Horizons Global	\$ 41,224	\$ 41,701

(c) Xeorixs Homes:

Xeorixs Homes is an independent organization which leases homes to individuals served by the Organization. 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 (2020 - \$24,840) for administrative services provided by the Organization.

At March 31, 2021, there is \$38,579 (2020 - \$36,812) due from Xeorixs Homes that is included in accounts receivable.

11. Financial risks:

(a) Market risk:

Market price risk is the risk that a value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Organization believes that it is not exposed to significant market risk arising from its financial instruments due to mix of investment types designed to achieve optimal return with reasonable risk tolerances.

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Notes to Financial Statements, continued

Year ended March 31, 2021

11. Financial risks (continued):

(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 and the Province of Saskatchewan. No allowance for impairment of receivables has been recorded at March 31, 2021 and 2020.

12. Impact of COVID-19:

In March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic. The pandemic has resulted in significant financial, market and societal impacts in Canada and around the world.

During the year, the Organization has experienced the following in relation to the pandemic:

- Received \$13,681,600 of additional funding from the Province of Ontario for Pandemic Pay, Temporary Wage Enhancement and the COVID-19 Residential Relief Fund. This funding is presented in provincial subsidy on the statement of operations; and
- As an organization conducting essential services, the majority of programs have continued, with necessary health and wellness modifications.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Organization's operations and financial position is not known at this time. There remains uncertainty for the upcoming year regarding the aforementioned items. These impacts could include a decline in future cash flows and changes to the value of financial assets and liabilities. An estimate of the financial effect of the pandemic on the Organization is not practicable at this time.