

Financial Statements of

CHRISTIAN HORIZONS

And Independent Auditor's Report thereon

Year ended March 31, 2023



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INDEPENDENT AUDITOR'S 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, 2023
- 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, 2023, and its results of operations, its changes in fund balances 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our Auditor's 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.

Auditor's 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 Auditor's 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.



Page 3

- 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 Auditor's 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 Auditor's 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada
July 18, 2023

CHRISTIAN HORIZONS

Statement of Financial Position

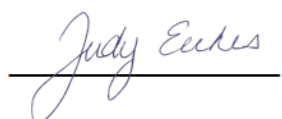
March 31, 2023, with comparative information for 2022

	Government			2023	2022
	Operating	Capital	Restricted	Total	Total
Assets					
Current assets:					
Cash	\$ 10,855,277	\$ —	\$ 92,214	\$ 10,947,491	\$ 11,580,445
Investments (note 2)	5,660,828	—	758,966	6,419,794	6,630,143
Accounts receivable	3,527,380	—	—	3,527,380	2,492,365
Prepaid expenses and deposits	1,445,578	—	—	1,445,578	374,639
	21,489,063		851,180	22,340,243	21,077,592
Capital assets (notes 3 and 4)	—	25,690,521	—	25,690,521	28,101,932
	\$ 21,489,063	\$ 25,690,521	\$ 851,180	\$ 48,030,764	\$ 49,179,524
Liabilities and Fund Balances					
Current liabilities:					
Accounts payable and accrued liabilities (note 5)	\$ 16,209,600	\$ —	\$ —	\$ 16,209,600	\$ 13,440,168
Subsidies payable	908,206	—	—	908,206	2,116,536
Interfund payable (receivable)	1,490,032	(823,826)	(666,206)	—	—
Deferred revenue	894,866	—	—	894,866	1,038,653
Current portion of long-term debt (note 6)	—	879,147	—	879,147	235,726
	19,502,704	55,321	(666,206)	18,891,819	16,831,083
Long-term debt (note 6)	—	1,638,176	—	1,638,176	2,517,555
	19,502,704	1,693,497	(666,206)	20,529,995	19,348,638
Fund balances	1,986,359	23,997,024	1,517,386	27,500,769	29,830,886
Commitments (note 8)					
Subsequent event (note 12)					
	\$ 21,489,063	\$ 25,690,521	\$ 851,180	\$ 48,030,764	\$ 49,179,524

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, 2023, with comparative information for 2022

	Government			2023	2022
	Operating	Capital	Restricted	Total	Total
Revenue:					
Provincial subsidy	\$ 186,315,493	\$ –	\$ 203,182	\$186,518,675	\$ 179,033,806
Residents	11,853,771	–	–	11,853,771	11,008,913
Third party funding	8,030,711	–	–	8,030,711	6,904,498
Miscellaneous revenue	296,786	85,574	–	382,360	414,730
Interest income	644,738	155,747	229	800,714	415,802
Gain (loss) on disposal of capital assets	–	(10,034)	–	(10,034)	495,436
Transfers	(259,710)	215,623	44,087	–	–
	206,881,789	446,910	247,498	207,576,197	198,273,185
Expenses:					
Salaries	141,700,285	–	–	141,700,285	136,238,882
Benefits	27,045,162	–	–	27,045,162	26,524,443
Purchased services	7,638,546	–	–	7,638,546	5,933,054
Repairs and maintenance	5,981,857	–	52,382	6,034,239	4,853,545
Rent - premises	5,719,680	–	–	5,719,680	5,480,179
Food	3,113,696	–	–	3,113,696	3,002,348
Utilities and taxes	3,044,215	–	–	3,044,215	2,801,068
Supplies and miscellaneous	2,627,737	–	27,304	2,655,041	3,163,664
Amortization	–	2,494,526	–	2,494,526	2,746,765
Personal needs	2,099,102	–	–	2,099,102	2,036,570
Vehicles	1,821,848	–	–	1,821,848	1,399,140
Management fee	1,756,115	–	–	1,756,115	1,728,341
Furniture and equipment	1,693,292	–	8,959	1,702,251	1,768,624
Insurance	1,495,016	–	–	1,495,016	1,537,976
Travel	941,021	–	–	941,021	391,448
Training	546,013	–	–	546,013	554,183
Rent - other	476,748	–	–	476,748	404,939
Interest on long-term debt	–	72,504	–	72,504	90,913
Gifts to Christian Horizons (Canada)	–	–	–	–	636,862
Recovery from Christian Horizons (Canada)	(818,544)	–	–	(818,544)	(445,123)
	206,881,789	2,567,030	88,645	209,537,464	200,847,821
Excess (deficiency) of revenue over expenses before the undernoted	–	(2,120,120)	158,853	(1,961,267)	(2,574,636)
Change in fair value of investments	(368,850)	–	–	(368,850)	454,984
Excess (deficiency) of revenue over expenses	(368,850)	(2,120,120)	158,853	(2,330,117)	(2,119,652)
Fund balances, beginning of year	2,355,209	26,117,144	1,358,533	29,830,886	31,950,538
Fund balances, end of year	\$ 1,986,359	\$ 23,997,024	\$ 1,517,386	\$ 27,500,769	\$ 29,830,886

See accompanying notes to financial statements.

CHRISTIAN HORIZONS

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (2,330,117)	\$ (2,119,652)
Items not involving cash:		
Change in fair value of investments	368,850	(454,984)
Amortization of capital assets	2,494,526	2,746,765
Loss (gain) on disposal of capital assets	10,034	(495,436)
Change in non-cash operating working capital (note 9)	(688,639)	(4,048,528)
	(145,346)	(4,371,835)
Financing:		
Repayment of long-term debt	(235,958)	(226,358)
Investments:		
Purchase of capital assets	(93,149)	(99,711)
Proceeds on disposal of capital assets	–	652,056
Purchase of investments	(1,808,168)	(2,542,961)
Proceeds on disposal of investments	1,649,667	2,433,614
	(251,650)	442,998
Decrease in cash	(632,954)	(4,155,195)
Cash, beginning of year	11,580,445	15,735,640
Cash, end of year	\$ 10,947,491	\$ 11,580,445

See accompanying notes to financial statements.

CHRISTIAN HORIZONS

Notes to Financial Statements

Year ended March 31, 2023

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 Not-for-Profit Corporations Act 2020 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, 2023

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, 2023

2. Investments:

	2023	2022
Cash and cash equivalents	\$ 259,817	\$ 53,627
Fixed income	1,425,255	1,044,791
Equities - Canada	1,784,986	2,352,692
Equities - US	798,528	873,896
Equities - Global	707,506	848,070
Preferred shares	714,915	749,423
Other investments	728,787	707,644
	<u>\$ 6,419,794</u>	<u>\$ 6,630,143</u>

Fixed income investments have interest rates ranging from 1.51% to 6.30% (2022 - 1.75% to 3.80%) and maturity dates ranging from September 5, 2023 to September 11, 2028 (2022 - September 2, 2023 to March 16, 2027).

3. Capital assets:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Land	\$ 14,130,395	\$ -	\$ 14,130,395	\$ 14,130,395
Buildings	47,889,840	38,252,782	9,637,058	11,252,481
Vehicles, furniture and equipment	6,945,664	6,233,864	711,800	1,280,797
Leasehold improvements	2,810,721	1,599,453	1,211,268	1,438,259
	<u>\$ 71,776,620</u>	<u>\$ 46,086,099</u>	<u>\$ 25,690,521</u>	<u>\$ 28,101,932</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. For the Province of Ontario, no approval is required where the asset is moveable and has a residual value of less than \$5,000.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$1,804,783 (2022 - \$1,810,335) which consists primarily of amounts payable for payroll related taxes.

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2023

6. Long-term debt:

	2023	2022
Secured by restricted assets (note 4)		
Funded by Provincial Ministries:		
Banking facility:		
2.96% term loan secured by land and buildings, repayable in monthly payments of \$4,985, including principal and interest, due on December 31, 2023	\$ 506,585	\$ 550,701
3.75% mortgage on land and building, repayable in monthly payments of \$1,417, including principal and interest, due on June 28, 2023	4,236	20,746
2.72% term loan, secured by land and buildings, repayable in monthly payments of \$9,001, including principal and interest, due on May 15, 2024	1,682,905	1,744,218
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	217,716	262,683
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	–	44,749
4.72% mortgage on land and building, repayable in monthly payments of \$1,741, including principal and interest, due on June 1, 2024.	25,318	–
0.82%, mortgage on land and building, repayable in monthly payments of \$807, including principal and interest, due on September 1, 2024	14,438	23,965
2.22% mortgage on land and building, repayable in monthly payments of \$2,764, including principal and interest, due on September 1, 2024	48,898	80,610
1.83%, mortgage on land and building, repayable in monthly payments of \$732, including principal and interest, due on March 1, 2025	17,227	25,609
	2,517,323	2,753,281
Less current portion of long-term debt	(879,147)	(235,726)
	\$ 1,638,176	\$ 2,517,555

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2023

6. Long-term debt (continued):

The aggregate amount of principal payments required on the long-term debt are as follows:

2024	\$	879,147
2025		1,638,176
	\$	<u>2,517,323</u>

As at March 31, 2023, Christian Horizons was out-of-compliance with the financial covenant provided in the credit facility agreement with the Royal Bank of Canada (RBC) dated May 15, 2018. A waiver has been obtained from the bank, permitting all outstanding RBC debt to continue to be paid according to the repayment terms in place. The amount of the outstanding credit with RBC under terms of the credit facility agreement is \$2,411,442 as of March 31, 2023 (2022 - \$2,578,348). This non-compliance does not result in any cross-covenant violations relating to other debt outstanding.

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, 2023, \$nil (2022 - \$nil) is drawn against the operating demand facility. As at March 31, 2023, issued letters of guarantee are \$nil (2022 - \$nil). At year-end \$8,317,090 (2022 - \$8,255,782) 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 (2022 - \$6,500,000).

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2023

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:

2023	\$	2,889,699
2024		2,235,046
2025		1,960,705
2026		1,713,757
2027		1,090,855
Thereafter		1,605,214
	\$	11,495,276

9. Change in non-cash operating working capital:

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

	2023	2022
Decrease (increase) in current assets:		
Accounts receivable	\$ (1,035,015)	\$ 250,417
Prepaid expenses and deposits	(1,070,939)	(286,660)
	(2,105,954)	(36,243)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	2,769,432	(4,995,011)
Subsidies payable	(1,208,330)	534,627
Deferred revenue	(143,787)	448,099
	1,417,315	(4,012,285)
	\$ (688,639)	\$ (4,048,528)

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2023

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:

	2023	2022
Management fee paid to Christian Horizons (Canada)	\$ 1,756,115	\$ 1,728,341
Program costs charged to Christian Horizons (Canada)	818,544	445,123
Payment on properties held by Christian Horizons (Canada)	105,613	60,613
Gifts to Christian Horizons (Canada)	–	636,862
Gifts from Christian Horizons (Canada)	2,800	–

(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:

	2023	2022
Shared services paid by Christian Horizons Global	\$ 49,500	\$ 42,733

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2023

10. Related party transactions (continued):

(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 (2022 - \$24,840) for administrative services provided by the Organization.

At March 31, 2023, there is \$32,667 (2022 - \$27,791) 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.

(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. Further details about the fixed rate investments are included in note 2 and the long-term debt are included in note 6.

(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, 2023 and 2022.

CHRISTIAN HORIZONS

Notes to Financial Statements, continued

Year ended March 31, 2023

11. Financial risks (continued):

(e) Currency risk:

The Organization is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Organization purchases investments in U.S. and foreign currency dollars. The Organization does not currently enter into forward contracts to mitigate this risk.

(f) COVID-19 Grants:

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 received \$16,904,330 (2022 - \$11,816,100) of additional funding from the Province of Ontario for pandemic-related Wage Enhancement and the COVID-19 Residential Relief Fund, including \$16,360,139 (2022 - \$nil) of Permanent Compensation Enhancement funding. This funding is presented in provincial subsidy on the statement of operations.

12. Subsequent event:

On September 19, 2022, the Board of Directors and members approved the merger of Christian Horizons and Xeorixs Homes, based on their common purpose, related party relationship and funding through the Ministry of Community, Children and Social Services. The merger is effective April 1, 2023. The combined organization will continue under the name of Christian Horizons.

Christian Horizons is a non-profit faith-based charitable organization which works with people who experience disabilities through residential and ancillary programs and is funded primarily through contracts with provincial governments.

Xeorixs Homes is a non-profit housing provider, which leases homes to people participating in Christian Horizons programs.

13. Change in comparative information:

The financial statements have been reclassified where applicable, to conform to the presentation used in the current year. The changes do not affect the prior year deficiency of revenue over expenses.