

**HAMILTON ASSOCIATION FOR CHRISTIAN
EDUCATION INCORPORATED
(O/A Hamilton District Christian High School)**

**FINANCIAL STATEMENTS
For the year ended August 31, 2016**

**HAMILTON ASSOCIATION FOR CHRISTIAN
EDUCATION INCORPORATED
(O/A Hamilton District Christian High School)**

For the year ended August 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of
Hamilton Association for Christian Education Incorporated
(O/A Hamilton District Christian High School)

We have audited the accompanying financial statements of Hamilton Association for Christian Education Incorporated (O/A Hamilton District Christian High School), which comprise the statement of financial position as at August 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many not-for-profit organizations, Hamilton Association for Christian Education Incorporated (O/A Hamilton District Christian High School) derives revenue from fundraising activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Institution. Therefore, we were not able to determine whether any adjustments might be necessary to net assets and surplus unrestricted as at August 31, 2016 and to fundraising revenue, excess of revenues over expenses and cash flows from operations for the year then ended. Our audit opinion on the financial statements for the year ended August 31, 2015 was also modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Hamilton Association for Christian Education Incorporated (O/A Hamilton District Christian High School) as at August 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



October 6, 2016
Brantford, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED
(O/A Hamilton District Christian High School)

STATEMENT OF FINANCIAL POSITION

As at August 31	2016	2015
ASSETS		
Current Assets		
Cash and bank	600,566	799,261
Temporary investments	151,725	705,805
Accounts receivable (Note 3)	60,892	77,802
Prepaid expenses	94,787	76,545
HST receivable	30,680	17,047
	938,650	1,676,460
Property, Plant and Equipment (Note 4)	3,769,759	3,659,024
Construction in Process (Note 11)	1,426,276	129,585
	6,134,685	5,465,069
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	161,716	117,697
Prepaid tuition and deposits (Note 5)	2,287,559	1,949,845
Reserve for tuition assistance (Note 7)	194,453	141,453
Deferred contributions (Note 10)	1,263,946	827,974
	3,907,674	3,036,969
Current liabilities before callable debt	3,907,674	3,036,969
Callable debt (Note 6)	1,048,380	1,094,127
	4,956,054	4,131,096
Net Assets		
Foundation (Note 8)	340,505	340,505
Scholarships (Note 9)	81,233	81,233
Surplus unrestricted	756,893	912,235
	1,178,631	1,333,973
	6,134,685	5,465,069

Approved on behalf of the Board of Directors

..... Director

..... Director

HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED
(O/A Hamilton District Christian High School)

STATEMENT OF OPERATIONS

For the year ended August 31	2016	2015
Revenue		
Cafeteria	93,475	76,455
Camps	-	11,476
Church collections	20,593	19,787
Fundraising (Note 13)	72,454	64,823
Interest income	9,133	5,886
Membership fees	96,844	99,845
Other donations	64,989	67,686
Rental income	44,358	48,103
Textbook fees	52,102	54,502
Tuition	4,030,815	4,055,919
Tuition assistance	256,035	197,579
	4,740,798	4,702,061
Expenses		
Building - Page 5	384,598	338,660
Cafeteria	90,461	78,083
Camps	-	11,476
General - Page 5	515,169	485,917
Instructional - Page 5	326,027	324,467
Salaries and benefits	3,566,198	3,519,038
	4,882,453	4,757,641
Excess of Expenses over Revenue Before Debt Servicing and Amortization	(141,655)	(55,580)
Debt Servicing		
Donations	135,554	187,699
Interest on long-term debt	(52,241)	(57,313)
	83,313	130,386
Excess of Expenses over Revenue Before Amortization of Property, Plant and Equipment	(58,342)	74,806
Amortization of Property, Plant and Equipment	(97,000)	(96,145)
Excess of Expenses over Revenue	(155,342)	(21,339)

See accompanying notes

HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED
(O/A Hamilton District Christian High School)

SCHEDULE OF EXPENSES

For the year ended August 31	2016	2015
Building Expenses		
Building and property maintenance	149,605	132,619
Insurance	32,124	27,999
Janitorial supplies	12,421	13,542
Property taxes	4,803	4,484
Sanitation supplies	30,657	38,713
Service contracts	6,198	5,365
Utilities - electricity	134,261	94,326
Utilities - gas	8,920	15,490
Utilities - water	5,609	6,122
	384,598	338,660
General Expenses		
Communication services	5,815	5,359
Computer support	87,830	86,258
Fees and dues	26,949	52,558
Fundraising expenses	27,025	19,949
Interest and bank charges	10,363	7,806
Miscellaneous	28,586	16,367
Office supplies and professional development	231,564	216,143
Professional fees	25,933	14,249
Recruitment and advancement	54,898	54,515
Telephone	16,206	12,713
	515,169	485,917
Instructional Expenses		
Counselling services	3,990	2,560
Departmental supplies	301,069	302,997
Textbooks	20,968	18,910
	326,027	324,467

See accompanying notes

**HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED
(O/A Hamilton District Christian High School)**

STATEMENT OF CHANGES IN NET ASSETS

For the year ended August 31, 2016	Foundation	Scholarships	Surplus unrestricted	Total
Balance, beginning of year	340,505	81,233	912,235	1,333,973
Excess of expenses over revenue	-	-	(155,342)	(155,342)
Balance, end of year	340,505	81,233	756,893	1,178,631

For the year ended August 31, 2015	Foundation	Scholarships	Surplus unrestricted	Total
Balance, beginning of year	340,505	81,233	933,574	1,355,312
Excess of expenses over revenue	-	-	(21,339)	(21,339)
Balance, end of year	340,505	81,233	912,235	1,333,973

HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED
(O/A Hamilton District Christian High School)

STATEMENT OF CASH FLOWS

For the year ended August 31	2016	2015
Cash Flows From Operating Activities		
Excess expenses over revenue	(155,342)	(21,339)
Adjustment for item which does not affect cash		
Amortization	97,000	96,145
	(58,342)	74,806
Change in non-cash working capital items		
Accounts receivable	16,910	61,973
Prepaid expenses	(18,242)	8,380
HST receivables	(13,633)	2,628
Accounts payable and accrued liabilities	44,019	(44,278)
Prepaid tuition and deposits	337,714	180,882
Deferred contributions	435,972	666,724
Reserve for tuition assistance	53,000	8,453
	797,398	959,568
Cash Flows From Financing Activities		
Repayment of long-term debt	-	(240,000)
Decrease in investment loans payable - callable	(45,747)	(73,101)
	(45,747)	(313,101)
Cash Flows From Investing Activities		
Purchase of equipment	(23,782)	(74,730)
Building additions	(183,953)	-
Decrease (increase) in temporary investments	554,080	(544,555)
Construction in process	(1,296,691)	(129,585)
	(950,346)	(748,870)
Net Decrease in Cash and Bank	(198,695)	(102,403)
Opening Cash and Bank	799,261	901,664
Closing Cash and Bank	600,566	799,261

See accompanying notes

HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED (O/A Hamilton District Christian High School)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2016

1. NATURE OF OPERATIONS

Hamilton Association for Christian Education Incorporated (the "Institution") operating as Hamilton District Christian High School is a non-profit institution incorporated under the Province of Ontario without share capital. The Institution operates a non-government funded educational institution in the Hamilton area, which is exempt from federal and provincial income taxes due to its registration as a charitable organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook, and include the following significant accounting policies:

(a) Use of estimates

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 balance sheet date and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the estimated useful lives of property, plant, and equipment and the valuation of allowances for tuition receivable. Actual results could differ from those estimates.

(b) Revenue recognition

The Institution follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized in the year with tuition fees being recorded on an accrual basis and all other revenues and donations are recorded on a cash basis. Endowment contributions are recognized as direct increases in net assets. Tuition revenue is recorded in the period to which it relates.

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost. The Institution provides for amortization using the declining balance method at rates designed to amortize the cost of the property, plant and equipment over their estimated useful lives. The annual amortization rates are as follows:

Buildings	2%
Equipment	20%
Parking Lot	8%
Computer Equipment	30%

HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Pension plan

The Institution uses defined contribution plan accounting for its multi-employer defined benefit pension plan for which the entity has insufficient information to apply defined benefit plan accounting.

3. ACCOUNTS RECEIVABLE	2016	2015
Accounts receivable	151,090	184,341
Allowance for doubtful tuition	(90,198)	(106,539)
	60,892	77,802

4. PROPERTY, PLANT AND EQUIPMENT	Cost	Accumulated Amortization	2016	2015
Land	291,391	-	291,391	291,391
Buildings	5,822,189	2,478,112	3,344,077	3,226,493
Equipment	741,578	657,473	84,105	105,131
Parking lot	69,610	49,681	19,929	21,662
Computer equipment	392,104	361,847	30,257	14,347
	7,316,872	3,547,113	3,769,759	3,659,024

HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2016

5. PREPAID TUITION AND DEPOSITS	2016	2015
Prepaid tuition	1,136,395	1,024,811
Deferred revenue	125,294	90,982
International student deposits	1,025,870	834,052
	<hr/>	<hr/>
	2,287,559	1,949,845

Prepaid tuition is tuition payments received during the year which are tuition for the 2016-2017 school year.

Deferred revenue are funds received from parents and students related to events, functions or trips which will not occur until the next school year.

International student deposits are funds that the school has collected in advance from international students, in addition to prepaid tuition. Prepaid tuition is only refundable in limited scenarios and the majority of the balance is taken into income the first day of the new fiscal year.

6. CALLABLE DEBT

Investment loans payable are unsecured demand loans from private individuals which bear interest at 3% per annum. The loans do not require principal repayments during the term and have varying maturity dates.

The investment loans payable balance of \$1,048,380 (2015 - \$1,094,127) includes accrued interest at August 31, 2016 of \$15,500.

7. RESERVE FOR TUITION ASSISTANCE

The reserve for tuition assistance consists of funds which have been donated to the Institution in the current period and externally restricted to be utilized for tuition assistance in the subsequent period.

HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2016

8. FOUNDATION

The foundation consists of estate funds which have been donated to the Institution. These funds bear interest at a notional rate of 3% per annum which is credited to tuition assistance.

9. SCHOLARSHIPS

The scholarships consists of funds which have been donated to the Institution. The scholarship funds bear various rates of interest which are used for scholarship purposes.

10. DEFERRED CONTRIBUTIONS

Deferred contributions related to capital assets include the unamortized portions of restricted contributions that will be used for the building expansion.

The changes for the year in the deferred contributions balance are as follows:

	2016	2015
Balance, beginning of year	827,974	161,250
Building campaign contributions	435,972	666,724
Balance, end of year	1,263,946	827,974

11. CONSTRUCTION IN PROCESS

Construction in process relates to an addition being made to the school. Funding for the addition has been restricted and amortization of the asset will begin upon completion.

**HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED
(O/A Hamilton District Christian High School)**

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended August 31, 2016**

12. AVAILABLE CREDIT FACILITIES

The Institution has available for its use a demand line of credit with a limit of \$150,000. The line bears interest at the bank's prime rate plus 0.90% and pays interest only on a monthly basis. This line of credit is available to assist with day-to-day operating expenses of the school pending collection of tuition and other revenues.

The Institution also has available a revolving demand loan with a limit of \$500,000 which bears interest at the bank's prime rate plus 1.40%. The interest is to be repaid monthly with lump sum principal payments made at the Institution's option and subject to annual review. The revolving loan is available to assist with the paydown of investment loans as required from time to time.

All of these facilities are secured by a general security agreement and a collateral second mortgage in the amount of \$1,200,000 on the school property. The carrying value of assets pledged as at August 31, 2016 under this agreement was \$4,987,732.

At the year end none of these facilities have been used by the Institution.

Under these credit facilities the Institution must meet certain financial covenants. The Institution must have a debt service ratio that is not less than 1.00 times by each fiscal year end and the credit facilities must show a wide fluctuation within the approved credit limits during the year. The Institution is in compliance with all of the above financial covenants.

13. FUNDRAISING

During the year the Institution raised funds for general operations through various fundraising events. Contributions reported in the statement of operations include net revenue from these events of \$45,429 (2015 - \$44,874). Gross revenue and expenses related to these events were \$72,454 (2015 - \$64,823) and \$27,025 (2015 - \$19,949) respectively.

14. VOLUNTEER SERVICES

The Institution receives volunteer services for which no value has been reflected in these financial statements.

HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED
(O/A Hamilton District Christian High School)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2016

15. PENSION PLAN

The Institution participates in a multi-employer defined benefit pension plan administered through Christian Schools International. The plan provides for fixed annual pension payments for all eligible retirees based on maximum sustained earnings and years of service. Due to insufficient financial information, the Institution accounts for the plan as if it were a defined contribution plan.

As of August 31, 2013, the most recent period for which information is available, the multi-employer plan's liabilities exceed assets by \$31.9 million using the going concern test. The plan's funding status - the ratio of assets to going concern liabilities - was 87% as at August 31, 2013. As the plan does not track plan assets and liabilities by participating organization, it is unknown how much of this deficit relates to the Institution.

16. FINANCIAL INSTRUMENTS

The significant financial risks to which the Institution is exposed are credit risk, interest rate risk, and liquidity risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Institution's exposure to credit risk relates to its accounts receivable. The risk of significant credit loss is considered remote.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Institution's exposure to interest rate risk relates to its long term debt and short term investments.

Liquidity Risk

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations as they become due. Trade accounts payable and accrued liabilities are generally paid within 30 days.

17. COMPARATIVE FIGURES

Certain of the prior year figures, provided for the purpose of comparison, have been reclassified to conform with the current year's presentation.