

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

**FINANCIAL STATEMENTS
For the year ended August 31, 2018**

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

For the year ended August 31, 2018

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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, 2018, 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.

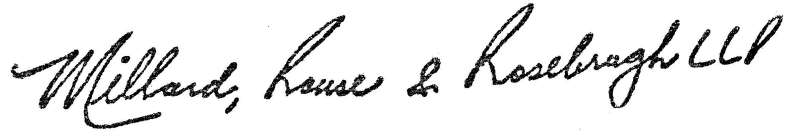
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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, 2018 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, 2017 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, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



October 3, 2018
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	2018	2017
ASSETS		
Current Assets		
Cash and bank	149,852	630,753
Temporary investments	664,044	656,064
Accounts receivable (Note 3)	94,011	70,678
Prepaid expenses	111,185	129,695
HST receivable	23,144	23,806
	1,042,236	1,510,996
Property, Plant and Equipment (Note 4)	5,067,911	3,699,307
Construction in Process (Note 11)	239,730	1,548,955
	6,349,877	6,759,258
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	213,357	244,754
Prepaid tuition and deposits (Note 5)	1,896,932	2,443,043
Reserve for tuition assistance (Note 7)	198,596	198,596
Deferred contributions (Note 10)	1,894,053	1,768,576
	4,202,938	4,654,969
Current liabilities before callable debt	1,007,306	981,816
Callable debt (Note 6)		
	5,210,244	5,636,785
Net Assets		
Foundation (Note 8)	340,505	340,505
Scholarships (Note 9)	81,233	81,233
Surplus unrestricted	717,895	700,735
	1,139,633	1,122,473
	6,349,877	6,759,258

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	2018	2017
Revenue		
Cafeteria	92,049	94,735
Camps	-	4,638
Church collections	12,262	17,466
Fundraising (Note 13)	82,312	41,334
Interest income	10,361	6,129
Membership fees	95,144	98,548
Other donations	50,016	49,888
Rental income	53,208	48,851
Textbook fees	54,170	54,013
Tuition	4,676,047	4,361,371
Tuition assistance	269,256	201,309
	5,394,825	4,978,282
Expenses		
Building - Page 5	438,318	360,058
Cafeteria	87,400	98,781
Camps	-	4,638
General - Page 5	551,338	489,670
Instructional - Page 5	290,132	370,093
Salaries and benefits	3,903,118	3,707,082
	5,270,306	5,030,322
Excess of Revenue over Expenses Before Debt Servicing and Amortization	124,519	(52,040)
Debt Servicing		
Donations	49,755	151,166
Interest on long-term debt	(48,815)	(53,432)
	940	97,734
Excess of Revenue over Expenses Before Amortization of Property, Plant and Equipment	125,459	45,694
Amortization of Property, Plant and Equipment	(108,299)	(95,923)
Realized Gain (Loss) on Disposal of Assets	-	(5,929)
Excess of Revenue over Expenses	17,160	(56,158)

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	2018	2017
Building Expenses		
Building and property maintenance	182,067	104,622
Insurance	34,009	33,567
Janitorial supplies	11,617	13,145
Property taxes	4,808	4,808
Sanitation supplies	33,173	32,772
Service contracts	8,438	9,035
Utilities - electricity	143,992	142,009
Utilities - gas	13,498	13,482
Utilities - water	6,716	6,618
	438,318	360,058
General Expenses		
Communication services	11,623	7,807
Computer support	93,549	88,250
Fees and dues	27,042	20,740
Fundraising expenses	34,000	21,948
Interest and bank charges	11,790	9,533
Miscellaneous	31,360	18,583
Office supplies and professional development	249,572	239,172
Professional fees	17,708	24,422
Recruitment and advancement	51,168	46,361
Telephone	23,526	12,854
	551,338	489,670
Instructional Expenses		
Counselling services	3,880	3,200
Departmental supplies	272,541	351,137
Textbooks	13,711	15,756
	290,132	370,093

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, 2018	Foundation	Scholarships	Surplus unrestricted	Total
Balance, beginning of year	340,505	81,233	700,735	1,122,473
Excess of revenue over expenses	-	-	17,160	17,160
Balance, end of year	340,505	81,233	717,895	1,139,633

For the year ended August 31, 2017	Foundation	Scholarships	Surplus unrestricted	Total
Balance, beginning of year	340,505	81,233	756,893	1,178,631
Excess of expenses over revenue	-	-	(56,158)	(56,158)
Balance, end of year	340,505	81,233	700,735	1,122,473

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

STATEMENT OF CASH FLOWS

For the year ended August 31	2018	2017
Cash Flows From Operating Activities		
Excess of revenue over expenses	17,160	(56,158)
Adjustment for item which does not affect cash		
Amortization	108,299	95,923
Realized loss on disposal of capital assets	-	5,929
	125,459	45,694
Change in non-cash working capital items		
Accounts receivable	(23,333)	(9,786)
Prepaid expenses	18,510	(34,908)
HST receivables	662	6,874
Accounts payable and accrued liabilities	(31,397)	83,038
Prepaid tuition and deposits	(546,111)	155,484
Deferred contributions	125,477	504,630
Reserve for tuition assistance	-	4,143
	(330,733)	755,169
Cash Flows From Financing Activities		
Increase in investment loans payable - callable	25,490	(66,564)
Cash Flows From Investing Activities		
Purchase of equipment	(14,434)	(31,400)
Building additions	(153,244)	-
Increase (decrease) in temporary investments	(7,980)	(504,339)
Construction in process	-	(122,679)
	(175,658)	(658,418)
Net Increase (Decrease) in Cash and Bank	(480,901)	30,187
Opening Cash and Bank	630,753	600,566
Closing Cash and Bank	149,852	630,753

Non-cash transactions include building additions of \$1,309,225 transferred from construction in process.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2018

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%

(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.

(e) Financial instrument measurement

The Institution initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets subsequently measured at amortized cost include cash, temporary investments and accounts receivable. Financial liabilities measured at amortized cost include the callable debt and accounts payable and accrued liabilities.

HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2018

3. ACCOUNTS RECEIVABLE	2018	2017
Tuition receivable	143,279	116,218
Other receivable	40,500	-
Allowance for doubtful tuition	(89,768)	(45,540)
	94,011	70,678

Other receivable is a 3% interest bearing loan provided to Hamilton Christian Transportation Services to assist in its restructuring.

4. PROPERTY, PLANT AND EQUIPMENT	Cost	Accumulated Amortization	2018	2017
Land	291,391	-	291,391	291,391
Buildings	7,284,660	2,625,162	4,659,498	3,277,195
Equipment	769,227	695,493	73,734	92,168
Parking lot	69,610	52,742	16,868	18,335
Computer equipment	63,762	37,342	26,420	20,218
	8,478,650	3,410,739	5,067,911	3,699,307

5. PREPAID TUITION AND DEPOSITS	2018	2017
Prepaid tuition	1,159,028	1,127,194
Deferred revenue	130,517	107,771
International student deposits	607,387	1,208,078
	1,896,932	2,443,043

Prepaid tuition is tuition payments received during the year which are tuition for the 2018-2019 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.

HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2018

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 \$1,007,306 (2017 - \$981,816) includes accrued interest at August 31, 2018 of \$14,890 (2017 - \$14,500).

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.

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:

	2018	2017
Balance, beginning of year	1,768,576	1,263,946
Building campaign contributions	125,477	504,630
Balance, end of year	1,894,053	1,768,576

11. CONSTRUCTION IN PROCESS

Construction in process relates to both a newly built beach volleyball court and the second phase of 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, 2018

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, 2018 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 \$48,312 (2017 - \$19,386). Gross revenue and expenses related to these events were \$82,312 (2017 - \$41,334) and \$34,000 (2017 - \$21,948) 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, 2018

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.

An actuarial valuation of the plan was completed as of August 31, 2017 and the report was filed with the pension regulator. The report showed the plan was 93% funded on a going-concern basis in 2017, as compared to 80% in 2012. Projections indicate that the plan will achieve fully funded status on a going-concern basis without any changes required.

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.