

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

**FINANCIAL STATEMENTS
For the year ended August 31, 2019**

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

For the year ended August 31, 2019

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INDEPENDENT AUDITORS' REPORT

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

Qualified Opinion

We have audited the financial statements of Hamilton Association for Christian Education Incorporated (the 'Entity'), which comprise the statement of financial position as at August 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at August 31, 2019, 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 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 Entity. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses and cash flows from operations for the years ended August 31, 2019 and 2018, current assets as at August 31 2019 and 2018, and net assets as at September 1 and August 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended August 31, 2018 was also modified accordingly because of the possible effects of this limitation in scope.

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 report. We are independent of the Entity 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 qualified audit 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 Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

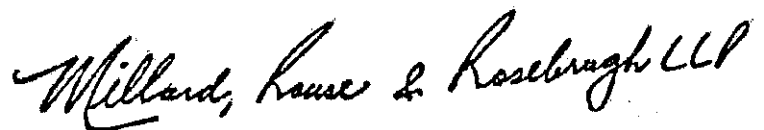
Auditors' Responsibilities for the Audit of the Financial Statements

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 these 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 Entity's internal control.
- 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 Entity'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 Entity 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.

We 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.



October 2, 2019
Brantford, Ontario

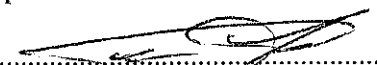
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

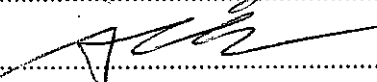
HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED
(O/A Hamilton District Christian High School)

STATEMENT OF FINANCIAL POSITION

As at August 31	2019	2018
ASSETS		
Current Assets		
Cash and bank	482,991	149,852
Temporary investments	372,444	664,044
Accounts receivable (Note 3)	83,163	94,011
Prepaid expenses	84,908	111,185
HST receivable	61,344	23,144
	1,084,850	1,042,236
Property, Plant and Equipment (Note 4)	4,964,658	5,067,911
Construction in Process (Note 11)	476,312	239,730
	6,525,820	6,349,877
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	240,666	213,357
Prepaid tuition and deposits (Note 5)	1,965,082	1,896,932
Reserve for tuition assistance (Note 7)	181,890	198,596
Deferred contributions (Note 10)	1,881,660	1,894,053
	4,269,298	4,202,938
Callable debt (Note 6)	1,319,860	1,007,306
	5,589,158	5,210,244
Net Assets		
Foundation (Note 8)	340,505	340,505
Scholarships (Note 9)	81,233	81,233
Surplus unrestricted	514,924	717,895
	936,662	1,139,633
	6,525,820	6,349,877

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	2019	2018
Revenue		
Cafeteria	74,158	92,049
Church collections	13,941	12,262
Fundraising (Note 13)	87,041	82,312
Interest income	24,567	10,361
Membership fees	98,378	95,144
Other donations	103,380	50,016
Rental income	65,847	53,208
Textbook fees	52,919	54,170
Tuition	4,870,034	4,676,047
Tuition assistance	237,173	269,256
	5,627,438	5,394,825
Expenses		
Building - Page 5	627,609	438,318
Cafeteria	90,331	87,400
General - Page 5	553,433	551,338
Instructional - Page 5	422,531	290,132
Salaries and benefits	3,956,082	3,903,118
	5,649,986	5,270,306
Excess of Revenue over Expenses (Expenses over Revenue)		
Before Debt Servicing and Amortization	(22,548)	124,519
Debt Servicing		
Donations	-	49,755
Interest on long-term debt	(61,135)	(48,815)
	(61,135)	940
Excess of Revenue over Expenses (Expenses over Revenue)		
Before Amortization of Property, Plant and Equipment	(83,683)	125,459
Amortization of Property, Plant and Equipment	(119,288)	(108,299)
Excess of Revenue over Expenses (Expenses over Revenue)	(202,971)	17,160

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

SCHEDULE OF EXPENSES

For the year ended August 31	2019	2018
Building Expenses		
Building and property maintenance	374,476	182,067
Insurance	36,254	34,009
Janitorial supplies	13,081	11,617
Property taxes	4,808	4,808
Sanitation supplies	40,492	33,173
Service contracts	3,874	8,438
Utilities - electricity	131,629	143,992
Utilities - gas	14,990	13,498
Utilities - water	8,005	6,716
	627,609	438,318
General Expenses		
Communication services	9,936	11,623
Computer support	96,190	93,549
Fees and dues	47,706	27,042
Fundraising expenses	32,487	34,000
Interest and bank charges	13,053	11,790
Miscellaneous	33,320	31,360
Office supplies and professional development	228,082	249,572
Professional fees	26,899	17,708
Recruitment and advancement	55,642	51,168
Telephone	10,118	23,526
	553,433	551,338
Instructional Expenses		
Counselling services	6,333	3,880
Departmental supplies	394,847	272,541
Textbooks	21,351	13,711
	422,531	290,132

**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, 2019	Foundation	Scholarships	Surplus unrestricted	Total
Balance, beginning of year	340,505	81,233	717,895	1,139,633
Excess of revenue over expenses (expenses over revenue)	-	-	(202,971)	(202,971)
Balance, end of year	340,505	81,233	514,924	936,662

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 (expenses over revenue)	-	-	17,160	17,160
Balance, end of year	340,505	81,233	717,895	1,139,633

HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED
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STATEMENT OF CASH FLOWS

For the year ended August 31	2019	2018
Cash Flows From Operating Activities		
Excess of Revenue over Expenses (Expenses over Revenue)	(202,971)	17,160
Adjustment for item which does not affect cash		
Amortization	119,288	108,299
	(83,683)	125,459
Change in non-cash working capital items		
Accounts receivable	10,849	(23,333)
Prepaid expenses	26,277	18,510
HST receivables	(38,200)	662
Accounts payable and accrued liabilities	27,309	(31,397)
Prepaid tuition and deposits	68,150	(546,111)
Deferred contributions	(12,394)	125,477
Reserve for tuition assistance	(16,706)	-
	(18,398)	(330,733)
Cash Flows From Financing Activities		
Increase in investment loans payable - callable	312,554	25,490
Cash Flows From Investing Activities		
Purchase of equipment	(16,035)	(14,434)
Building additions	-	(153,244)
(Increase) decrease in temporary investments	291,600	(7,980)
Construction in process	(236,582)	-
	38,983	(175,658)
Net Increase (Decrease) in Cash and Bank	333,139	(480,901)
Opening Cash and Bank	149,852	630,753
Closing Cash and Bank	482,991	149,852

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

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended August 31, 2019**

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, 2019

3. ACCOUNTS RECEIVABLE	2019	2018
Tuition receivable	128,619	143,279
Other receivable	40,500	40,500
Allowance for doubtful tuition	(85,956)	(89,768)
	83,163	94,011

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

4. PROPERTY, PLANT AND EQUIPMENT	Cost	Accumulated Amortization	2019	2018
Land	291,391	-	291,391	291,391
Buildings	7,284,660	2,718,352	4,566,308	4,659,498
Equipment	775,816	710,898	64,918	73,734
Parking lot	69,610	54,091	15,519	16,868
Computer equipment	73,207	46,685	26,522	26,420
	8,494,684	3,530,026	4,964,658	5,067,911

5. PREPAID TUITION AND DEPOSITS	2019	2018
Prepaid tuition	1,390,463	1,159,028
Deferred revenue	125,469	130,517
International student deposits	449,150	607,387
	1,965,082	1,896,932

Prepaid tuition is tuition payments received during the year which are tuition for the 2019-2020 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, 2019

6. CALLABLE DEBT

Investment loans payable are two unsecured demand loans from private individuals which bear interest at 3%, and 3.85% per annum. The loans do not require principal repayments during the term and have varying maturity dates.

The investment loans payable balance of \$1,319,860 (2018 - \$1,007,306) includes accrued interest at August 31, 2019 of \$15,200 (2018 - \$14,890).

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:

	2019	2018
Balance, beginning of year	1,894,053	1,768,576
Amounts amortized to income	(12,393)	-
Building campaign contributions	-	125,477
Balance, end of year	1,881,660	1,894,053

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
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended August 31, 2019

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, 2019 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 \$54,554 (2018 - \$48,312). Gross revenue and expenses related to these events were \$87,041 (2018 - \$82,312) and \$32,487 (2018 - \$34,000) respectively.

14. VOLUNTEER SERVICES

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended August 31, 2019

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.