

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

**FINANCIAL STATEMENTS  
For the year ended August 31, 2020**

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

**For the year ended August 31, 2020**

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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 'Institution'), which comprise the statement of financial position as at August 31, 2020, 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 Institution as at August 31, 2020, 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 Institution. 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, 2020 and 2019, current assets as at August 31 2020 and 2019, and net assets as at September 1 and August 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended August 31, 2019 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 Institution 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 Institution'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 Institution or to cease operations, or has no realistic alternative but to do so.

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

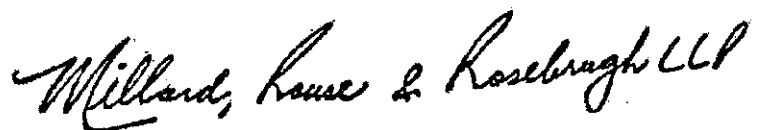
### **Auditors' Responsibilities for the Audit of the Financial Statements**

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 Institution'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 Institution'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.



September 28, 2020  
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	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and bank	236,426	482,991
Temporary investments	-	372,444
Accounts receivable (Note 3)	137,644	83,163
Prepaid expenses	84,926	84,908
HST receivable	40,165	61,344
	499,161	1,084,850
<b>Property, Plant and Equipment (Note 4)</b>	4,851,150	4,964,658
<b>Construction in Process (Note 11)</b>	179,045	476,312
	5,529,356	6,525,820
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	148,428	240,669
Prepaid tuition and deposits (Note 5)	1,437,030	1,965,082
Reserve for tuition assistance (Note 7)	181,890	181,890
	1,767,348	2,387,641
Current liabilities before callable debt	1,767,348	2,387,641
Callable debt (Note 6)	1,596,857	1,319,860
	3,364,205	3,707,501
<b>Net Assets</b>		
Foundation (Note 8)	340,505	340,505
Scholarships (Note 9)	81,233	81,233
Deferred Contributions Related to Capital Assets (Note 10)	1,130,444	1,908,686
Surplus unrestricted	612,969	487,895
	2,165,151	2,818,319
	5,529,356	6,525,820

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**

<b>For the year ended August 31</b>	<b>2020</b>	<b>2019</b>
<b>Revenue</b>		
Cafeteria	64,650	61,763
Camps	3,030	-
Church collections	20,156	13,941
Fundraising (Note 13)	63,222	87,041
Interest income	12,206	24,567
Membership fees	106,190	98,378
Other donations	48,632	103,380
Rental income	65,526	65,847
Textbook fees	56,505	52,919
Tuition	5,260,519	4,870,034
Tuition assistance	266,311	237,173
	<b>5,966,947</b>	<b>5,615,043</b>
<b>Expenses</b>		
Building - Page 5	639,366	627,609
Cafeteria	106,397	90,331
Camps	3,030	-
General - Page 5	531,085	553,433
Instructional - Page 5	424,867	422,531
Salaries and benefits	4,109,188	3,956,082
	<b>5,813,933</b>	<b>5,649,986</b>
<b>Excess of Revenue over Expenses (Expenses over Revenue)</b>		
<b>Before Debt Servicing and Amortization</b>	153,014	(34,943)
<b>Debt Servicing</b>		
Donations	72,662	-
Interest on long-term debt	(59,054)	(61,135)
	13,608	(61,135)
<b>Excess of Revenue over Expenses (Expenses over Revenue)</b>		
<b>Before Amortization of Property, Plant and Equipment</b>	166,622	(96,078)
<b>Amortization of Property, Plant and Equipment</b>	(113,508)	(119,288)
<b>Loss on Development Costs (Note 18)</b>	(706,282)	-
<b>Deferred Contribution Recognition (Note 10)</b>	778,242	-
<b>Excess of Revenue over Expenses (Expenses over Revenue)</b>	<b>125,074</b>	<b>(215,366)</b>

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

**SCHEDULE OF EXPENSES**

<b>For the year ended August 31</b>	<b>2020</b>	<b>2019</b>
<b>Building Expenses</b>		
Building and property maintenance	434,980	374,476
Insurance	38,705	36,254
Janitorial supplies	8,527	13,081
Property taxes	4,808	4,808
Sanitation supplies	27,458	40,492
Service contracts	4,223	3,874
Utilities - electricity	100,010	131,629
Utilities - gas	12,976	14,990
Utilities - water	7,679	8,005
	<b>639,366</b>	<b>627,609</b>
<b>General Expenses</b>		
Communication services	7,654	9,936
Computer support	133,810	96,190
Fees and dues	44,497	47,706
Fundraising expenses	20,064	32,487
Interest and bank charges	14,255	13,053
Miscellaneous	20,261	33,320
Office supplies and professional development	203,919	228,082
Professional fees	13,893	26,899
Recruitment and advancement	53,046	55,642
Telephone	19,686	10,118
	<b>531,085</b>	<b>553,433</b>
<b>Instructional Expenses</b>		
Counselling services	5,703	6,333
Departmental supplies	404,344	394,847
Textbooks	14,820	21,351
	<b>424,867</b>	<b>422,531</b>

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

**STATEMENT OF CHANGES IN NET ASSETS**

<b>For the year ended August 31, 2020</b>	<b>Deferred Contributions Related to Capital Assets</b>	<b>Foundation</b>	<b>Scholarships</b>	<b>Surplus unrestricted</b>	<b>Total</b>
Balance, beginning of year	1,908,686	340,505	81,233	487,895	2,818,319
Excess of revenue over expenses (expenses over revenue)	-	-	-	(653,168)	(653,168)
Transfer to/from deferred revenue	(778,242)	-	-	778,242	-
<b>Balance, end of year</b>	<b>1,130,444</b>	<b>340,505</b>	<b>81,233</b>	<b>612,969</b>	<b>2,165,151</b>

<b>For the year ended August 31, 2019</b>	<b>Deferred Contributions Related to Capital Assets</b>	<b>Foundation</b>	<b>Scholarships</b>	<b>Surplus unrestricted</b>	<b>Total</b>
Balance, beginning of year	1,894,053	340,505	81,233	717,895	3,033,686
Excess of revenue over expenses (expenses over revenue)	-	-	-	(215,367)	(215,367)
Transfer to/from deferred revenue	14,633	-	-	(14,633)	-
<b>Balance, end of year</b>	<b>1,908,686</b>	<b>340,505</b>	<b>81,233</b>	<b>487,895</b>	<b>2,818,319</b>



**HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED**  
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**STATEMENT OF CASH FLOWS**

<b>For the year ended August 31</b>	<b>2020</b>	<b>2019</b>
<b>Cash Flows From Operating Activities</b>		
Excess of Revenue over Expenses (Expenses over Revenue)	125,074	(215,366)
Adjustment for item which does not affect cash		
Amortization	113,508	119,288
Deferred contribution recognition	(778,242)	-
	(539,660)	(96,078)
<b>Change in non-cash working capital items</b>		
Accounts receivable	(54,481)	10,849
Prepaid expenses	(18)	26,277
HST receivables	21,179	(38,200)
Accounts payable and accrued liabilities	(92,241)	27,310
Prepaid tuition and deposits	(528,052)	68,150
Rounding difference	-	-
Reserve for tuition assistance	-	(16,706)
	(1,193,273)	(18,398)
<b>Cash Flows From Financing Activities</b>		
Increase in investment loans payable - callable	276,997	312,554
<b>Cash Flows From Investing Activities</b>		
Purchase of equipment	-	(16,035)
(Increase) decrease in temporary investments	372,444	291,600
Construction in process	297,267	(236,582)
	669,711	38,983
<b>Net Increase (Decrease) in Cash and Bank</b>	<b>(246,565)</b>	<b>333,139</b>
<b>Opening Cash and Bank</b>	<b>482,991</b>	<b>149,852</b>
<b>Closing Cash and Bank</b>	<b>236,426</b>	<b>482,991</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended August 31, 2020**

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**1. NATURE OF OPERATIONS**

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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**

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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 for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. 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, 2020**

3. ACCOUNTS RECEIVABLE	2020	2019
Tuition receivable	164,502	128,619
Loan receivable - HTCS	40,500	40,500
Other receivable	12,770	-
Allowance for doubtful tuition	(80,128)	(85,956)
	137,644	83,163

The loan receivable is a non interest bearing loan provided to The Hamilton Christian Transportation Services to assist in its restructuring. The other receivable relates to additional fundraising revenue related to the month of August 2020.

4. PROPERTY, PLANT AND EQUIPMENT	Cost	Accumulated Amortization	2020	2019
Land	291,391	-	291,391	291,391
Buildings	7,284,660	2,809,679	4,474,981	4,566,308
Equipment	775,816	723,882	51,934	64,918
Parking lot	69,610	55,332	14,278	15,519
Computer equipment	73,207	54,641	18,566	26,522
	8,494,684	3,643,534	4,851,150	4,964,658

5. PREPAID TUITION AND DEPOSITS	2020	2019
Prepaid tuition	937,486	1,390,463
Deferred revenue	127,215	125,469
International student deposits	372,329	449,150
	1,437,030	1,965,082

Prepaid tuition is tuition payments received during the year which are tuition for the 2020-2021 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, 2020**

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**6. CALLABLE DEBT**

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Investment loans payable are two unsecured demand loans from private individuals which bear interest at 3%, 2.45% 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 \$1,596,857 (2019 - \$1,319,860) includes accrued interest at August 31, 2020 of \$15,200 (2019 - \$15,200).

**7. RESERVE FOR TUITION ASSISTANCE**

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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**

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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**

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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 RELATED TO CAPITAL ASSETS**

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

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

	2020	2019
Balance, beginning of year	1,908,686	1,894,053
Amortization of phase 1 addition	(71,959)	-
Income from discontinued phase 2 project	(706,283)	-
Transfer (to)/from operations	-	14,633
Balance, end of year	1,130,444	1,908,686

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**11. CONSTRUCTION IN PROCESS**

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Construction in process relates to both a beach volleyball court and a forced main sewer at the school. Amortization of these assets 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, 2020**

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**12. AVAILABLE CREDIT FACILITIES**

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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, 2020 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**

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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 \$43,158 (2019 - \$54,554). Gross revenue and expenses related to these events were \$63,222 (2019 - \$87,041) and \$20,064 (2019 - \$32,487) respectively.

**14. VOLUNTEER SERVICES**

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

**15. PENSION PLAN**

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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**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended August 31, 2020**

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**16. FINANCIAL INSTRUMENTS**

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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. COVID-19 PANDEMIC**

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Prior to and subsequent to year end, the Institution has been impacted by the effects of the world-wide coronavirus pandemic. The Institution is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impacts of this unprecedented situation. The Institution has experienced a decline in international student registration for the 2020-2021 school year due to the pandemic, however the domestic group of students did increase overall.

**18. LOSS ON DEVELOPMENT COSTS**

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The Institution has been investigating expanding the school in the form of an addition. These costs consisted of architect, engineering and planning expenditures. During the year, the Board of Directors decided not to continue with this venture. The costs in the amount of \$706,282 were written off in 2020.