

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

**FINANCIAL STATEMENTS
For the year ended August 31, 2021**

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

For the year ended August 31, 2021

INDEX

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Schedule of Expenses	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 13

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 (O/A Hamilton District Christian High School) (the 'Institution'), which comprise the statement of financial position as at August 31, 2021, 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, 2021, 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, 2021 and 2020, current assets as at August 31, 2021 and 2020, and net assets as at September 1 and August 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended August 31, 2020 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.

Emphasis of Matter - Restated Comparative Information

We draw attention to (Note 19) to the financial statements, which explains that certain comparative information presented for the year ended August 31, 2020 has been restated. Our opinion is not modified in respect of this matter.

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.

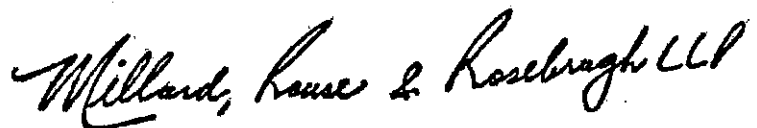
Auditors' Responsibilities for the Audit of the Financial Statements

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.



October 8, 2021
Brantford, Ontario

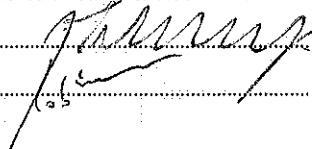
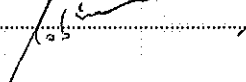
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

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

STATEMENT OF FINANCIAL POSITION

As at August 31	2021	2020 (Restated - Note 19)
ASSETS		
Current Assets		
Cash and bank	1,246,354	236,426
Accounts receivable (Note 3)	46,408	137,644
Prepaid expenses	206,981	84,926
HST receivable	15,320	40,165
Total Current Assets	1,515,063	499,161
Property, Plant and Equipment (Note 4)	4,864,950	4,851,150
Construction in Process (Note 11)	45,267	179,045
	6,425,280	5,529,356
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	284,374	148,428
Prepaid tuition and deposits (Note 5)	1,003,695	1,437,030
Reserve for building and property maintenance	4,369	-
Reserve for tuition assistance (Note 7)	181,890	181,890
Deferred Contributions Related to Capital Assets (Note 10)	1,102,634	1,130,444
Current liabilities before callable debt	2,576,962	2,897,792
Callable debt (Note 6)	1,283,696	1,596,857
	3,860,658	4,494,649
Net Assets		
Foundation (Note 8)	340,505	340,505
Scholarships (Note 9)	81,233	81,233
Surplus Unrestricted	2,142,884	612,969
	2,564,622	1,034,707
	6,425,280	5,529,356

Approved on behalf of the Board of Directors

 Director
 Director

See accompanying notes

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

STATEMENT OF OPERATIONS

For the year ended August 31	2021	2020
Revenue		
Cafeteria	24,072	64,650
Camps	8,430	3,030
Church collections	19,182	20,156
Fundraising (Note 13)	60,317	63,222
Interest income	5,903	12,206
Membership fees	100,441	106,190
Other donations	80,733	48,632
Rental income	67,800	65,526
Textbook fees	51,900	56,505
Tuition	4,830,609	5,260,519
Tuition assistance	251,460	266,311
Wage subsidy (Note 17)	831,306	-
	6,332,153	5,966,947
Expenses		
Building - Page 5	278,663	388,725
Cafeteria	92,819	106,397
Camps	8,430	3,030
General - Page 5	435,437	531,085
Instructional - Page 5	361,627	424,867
Salaries and benefits	4,087,515	4,109,188
	5,264,491	5,563,292
Excess of Revenue over Expenses Before Debt Servicing and Amortization	1,067,662	403,655
Debt Servicing		
Donations	128,549	72,662
Interest on long-term debt	(61,617)	(59,054)
School renewal (Note 13)	527,987	(250,641)
Bad debt expense	(40,500)	-
	554,419	(237,033)
Excess of Revenue over Expenses Before Amortization of Property, Plant and Equipment	1,622,081	166,622
Amortization of Property, Plant and Equipment	(119,976)	(113,508)
Loss on Development Costs (Note 18)	-	(706,282)
Deferred Contribution Recognition (Note 10)	27,810	778,242
Excess of Revenue over Expenses	1,529,915	125,074

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	2021	2020
Building Expenses		
Building and property maintenance	68,451	184,339
Insurance	34,939	38,705
Janitorial supplies	20,005	8,527
Property taxes	4,808	4,808
Sanitation supplies	23,456	27,458
Service contracts	7,127	4,223
Utilities - electricity	93,600	100,010
Utilities - gas	19,539	12,976
Utilities - water	6,738	7,679
	278,663	388,725
General Expenses		
Communication services	9,250	7,654
Computer support	102,109	133,810
Fees and dues	31,851	44,497
Fundraising expenses	20,259	20,064
Gifts to charities and foundations	62,930	2,058
Interest and bank charges	16,381	14,255
Miscellaneous	6,923	18,203
Office supplies and professional development	94,223	203,919
Professional fees	19,422	13,893
Recruitment and advancement	48,174	53,046
Telephone	23,915	19,686
	435,437	531,085
Instructional Expenses		
Counselling services	2,635	5,703
Departmental supplies	344,275	404,344
Textbooks	14,717	14,820
	361,627	424,867

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, 2021	Foundation	Scholarships	Surplus unrestricted	Total
Balance, beginning of year	340,505	81,233	612,969	1,034,707
Excess of revenue over expenses (expenses over revenue)	-	-	1,529,915	1,529,915
Balance, end of year	340,505	81,233	2,142,884	2,564,622

For the year ended August 31, 2020	Foundation	Scholarships	Surplus unrestricted	Total <i>(Restated - Note 19)</i>
Balance, beginning of year	340,505	81,233	487,895	909,633
Excess of revenue over expenses (expenses over revenue)	-	-	(653,168)	(653,168)
Transfer to/from deferred revenue	-	-	778,242	778,242
Balance, end of year	340,505	81,233	612,969	1,034,707

See accompanying notes

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

STATEMENT OF CASH FLOWS

For the year ended August 31	2021	2020
Cash Flows From Operating Activities		
Excess of Revenue over Expenses	1,529,915	125,074
Adjustment for item which does not affect cash		
Amortization	119,976	113,508
Deferred contribution recognition	(27,810)	(778,242)
	1,622,081	(539,660)
Change in non-cash working capital items		
Accounts receivable	91,236	(54,481)
Prepaid expenses	(122,055)	(18)
HST receivables	24,845	21,179
Accounts payable and accrued liabilities	135,946	(92,241)
Prepaid tuition and deposits	(433,333)	(528,052)
Reserve for building and property maintenance	4,369	-
	1,323,089	(1,193,273)
Cash Flows From Financing Activities		
Increase (Decrease) in investment loans payable - callable	(313,161)	276,997
Cash Flows From Investing Activities		
Purchase of equipment	-	-
(Increase) decrease in temporary investments	-	372,444
Construction in process	-	297,267
	-	669,711
Net Increase (Decrease) in Cash and Bank	1,009,928	(246,565)
Opening Cash and Bank	236,426	482,991
Closing Cash and Bank	1,246,354	236,426

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, 2021

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 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%
Beach Volleyball Courts	20%

(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
(O/A Hamilton District Christian High School)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2021

3. ACCOUNTS RECEIVABLE	2021	2020
Tuition receivable	127,716	164,502
Loan receivable - HTCS	-	40,500
Other receivable	-	12,770
Allowance for doubtful tuition	(81,308)	(80,128)
	46,408	137,644

In 2020, the other receivable relates to additional fundraising revenue related to the month of August 2020.

4. PROPERTY, PLANT AND EQUIPMENT	Cost	Accumulated Amortization	2021	2020
Land	291,391	-	291,391	291,391
Buildings	7,284,660	2,899,179	4,385,481	4,474,981
Equipment	775,816	734,269	41,547	51,934
Parking lot	69,610	56,475	13,135	14,278
Computer equipment	73,207	60,211	12,996	18,566
Beach volleyball courts	133,778	13,378	120,400	-
	8,628,462	3,763,512	4,864,950	4,851,150

During the year, \$133,776 of construction in process was transferred to property, plant and equipment.

5. PREPAID TUITION AND DEPOSITS	2021	2020
Prepaid tuition	691,137	937,486
Deferred revenue	144,367	127,215
International student deposits	168,192	372,329
	1,003,695	1,437,030

Prepaid tuition is tuition payments received during the year which are tuition for the 2021-2022 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
(O/A Hamilton District Christian High School)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2021

6. CALLABLE DEBT

Callable debt consists of three unsecured demand loans from private individuals which bear interest at 3%, 4.3% and 3.85% per annum. The loans have varying maturity dates, ranging from 2021 to 2025.

The balance of the investment loans payable is \$931,085 (2020 - \$952,670). This includes accrued interest at August 31, 2021 of \$14,000 (2020 - \$15,200). These loans do not require principal repayments during the term. The balance of the CRC Extension Fund is \$275,700 (2020 - \$548,700). This loan does not require principal repayments during the term. The balance of the Libro loan payable is \$76,911 (2020 - \$95,488) with combined principal and interest payments of \$1,860 per month at 4.3% maturing in 2025.

Estimated annual principal repayment requirements on callable debt, based on scheduled payment terms, are as follows:

2022 - 19,392 2023 - 20,242 2024 - 21,127 2025 - 16,150

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 - ENDOWMENT

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 - ENDOWMENT

The scholarships consist 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

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:

	2021	2020
Balance, beginning of year	1,130,444	1,908,686
Amortization of phase 1 addition	(27,810)	(71,959)
Income from discontinued phase 2 project	-	(706,283)
Balance, end of year	1,102,634	1,130,444

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2021

11. CONSTRUCTION IN PROCESS

Construction in process relates to a forced main sewer at the school. Amortization of this asset will begin upon completion.

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.

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, 2021 under this agreement was \$3,958,975.

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 \$40,058 (2020 - \$43,158). Gross revenue and expenses related to these events were \$60,317 (2020 - \$63,222) and \$20,259 (2020 - \$20,064) respectively.

Also during the year, the Institution organized a CARE/Accessibility fundraising campaign to raise funds to assist in school renewal projects such as roof repairs, construction on a forced main sewer, upgrades to the elevator, and repairs to the school's front entrance. The Institution received a net amount of \$527,987 from this fundraising effort. This amount is included in the Statement of Operations. The gross amounts, before administrative expenses and other expenses deducted, totals \$628,451. The Institution received \$386,780 for the Section 7 roof and incurred expenses of \$91,419. The balance of the funds went to pay down the loan with the CRC Extension Fund. The Accessibility campaign raised \$241,671 of income and incurred expenses of \$9,045. The balance of funds have been set aside in a separate bank account to pay for the expenses incurred and accrued in fiscal 2020-2021.

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, 2021

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. Therefore, contributions are recognized as an expense in the statement of operations.

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. COVID-19 PANDEMIC

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 2021-2022 school year due to the pandemic, however the domestic group of students did increase overall. The Institution has received government assistance in the form of wage subsidy income (\$831,306). In order to receive the wage subsidy, the Institution had to meet certain terms and conditions and in particular had to have experienced an eligible reduction in revenue. The wage subsidy is presented as revenue in the income statement.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2021

18. LOSS ON DEVELOPMENT COSTS

The Institution has been investigating expanding the school in the form of an addition. These costs consisted of architect, engineering and planning expenditures. In the previous 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.

19. RESTATEMENT OF COMPARATIVE FIGURES

During the year, deferred contributions related to capital assets were reclassified to current liabilities from net assets. There was no impact to net income.