

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

**FINANCIAL STATEMENTS
For the year ended August 31, 2022**

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

For the year ended August 31, 2022

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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 (O/A Hamilton District Christian High School) (the 'Institution'), which comprise the statement of financial position as at August 31, 2022, 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, 2022, 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, 2022 and 2021, current assets as at August 31, 2022 and 2021, and net assets as at September 1 and August 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended August 31, 2021 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 18 to the financial statements, which explains that certain comparative information presented for the year ended August 31, 2021 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.

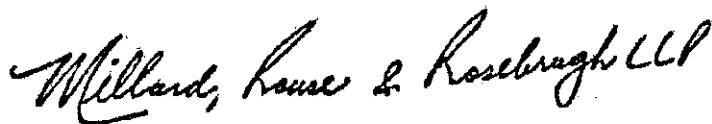
Auditors' Responsibilities for the Audit of the Financial Statements

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 12, 2022
Brantford, Ontario

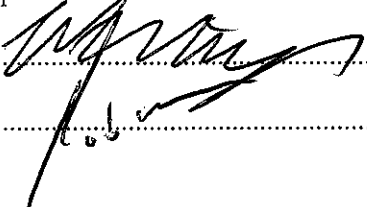
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

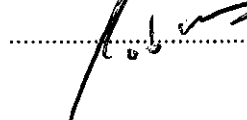
HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED
(O/A Hamilton District Christian High School)

STATEMENT OF FINANCIAL POSITION

As at August 31	2022	2021 <i>(Restated - Note 18)</i>
ASSETS		
Current Assets		
Cash and bank	1,297,735	1,246,354
Accounts receivable (Note 3)	21,478	46,408
Prepaid expenses	233,827	206,981
HST receivable	50,119	15,320
Total Current Assets	1,603,159	1,515,063
Property, Plant and Equipment (Note 4)	4,743,441	4,864,950
Construction in Process (Note 10)	45,267	45,267
	6,391,867	6,425,280
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	401,745	284,374
Prepaid tuition and deposits (Note 5)	892,384	1,003,695
Reserve for building and property maintenance	54,691	4,369
Reserve for tuition assistance (Note 7)	181,890	181,890
Deferred Contributions Related to Capital Assets (Note 9)	1,189,842	1,214,124
Current liabilities before callable debt	2,720,552	2,688,452
Callable debt (Note 6)	952,717	1,283,696
	3,673,269	3,972,148
Net Assets		
Foundation	-	340,505
Scholarships (Note 8)	81,233	81,233
Surplus Unrestricted	2,637,365	2,031,394
	2,718,598	2,453,132
	6,391,867	6,425,280

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	2022	2021 <i>(Restated - Note 18)</i>
Revenue		
Cafeteria	60,578	24,072
Camps	17,419	8,430
Church collections	18,323	19,182
Fundraising (Note 12)	154,105	60,317
Government grants (Note 16)	7,671	-
Interest income	16,628	5,903
Membership fees	123,566	100,441
Other donations	71,727	80,733
Rental income	118,982	67,800
Textbook fees	52,200	51,900
Tuition	5,027,759	4,830,609
Tuition assistance	275,924	251,460
Wage subsidy	-	831,306
	5,944,882	6,332,153
Expenses		
Building - Page 5	366,447	278,663
Cafeteria	111,643	92,819
Camps	17,419	8,430
General - Page 5	475,624	435,437
Instructional - Page 5	373,914	361,627
Salaries and benefits	4,234,482	4,087,515
	5,579,529	5,264,491
Excess of Revenue over Expenses		
Before Debt Servicing, School Renewal and Amortization	365,353	1,067,662
Debt Servicing and School Renewal		
Donations	38,097	128,549
Interest on long-term debt	(43,974)	(61,617)
Bad debt expense	-	(40,500)
School renewal income	604,522	628,451
School renewal expenses	(597,141)	(100,464)
	1,504	554,419
Excess of Revenue over Expenses		
Before Amortization of Property, Plant and Equipment	366,857	1,622,081
Amortization of Property, Plant and Equipment	(125,673)	(119,976)
Deferred Contribution Recognition (Note 9)	24,282	24,778
Excess of Revenue over Expenses	265,466	1,526,883

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	2022	2021
Building Expenses		
Building and property maintenance	140,417	68,451
Insurance	40,874	34,939
Janitorial supplies	18,059	20,005
Property taxes	4,854	4,808
Sanitation supplies	39,702	23,456
Service contracts	5,194	7,127
Utilities - electricity	91,028	93,600
Utilities - gas	17,743	19,539
Utilities - water	8,576	6,738
	366,447	278,663
General Expenses		
Communication services	10,058	9,250
Computer support	77,521	102,109
Fees and dues	35,050	31,851
Fundraising expenses	27,021	20,259
Gifts to charities and foundations	1,093	62,930
Interest and bank charges	15,011	16,381
Miscellaneous	11,842	6,923
Office supplies and professional development	211,184	94,223
Professional fees	16,662	19,422
Recruitment and advancement	42,736	48,174
Telephone	27,446	23,915
	475,624	435,437
Instructional Expenses		
Counselling services	4,250	2,635
Departmental supplies	351,760	344,275
Textbooks	17,904	14,717
	373,914	361,627

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, 2022	Foundation	Scholarships	Surplus unrestricted	Total
Balance, beginning of year	340,505	81,233	2,031,394	2,453,132
Excess of revenue over expenses (expenses over revenue)	-	-	265,466	265,466
Inter-fund transfer	(340,505)	-	340,505	-
Balance, end of year	-	81,233	2,637,365	2,718,598

For the year ended August 31, 2021	Foundation	Scholarships	Surplus unrestricted	Total <i>(Restated - Note 18)</i>
Balance, beginning of year	340,505	81,233	504,511	926,249
Excess of revenue over expenses (expenses over revenue)	-	-	1,526,883	1,526,883
Balance, end of year	340,505	81,233	2,031,394	2,453,132

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	2022	2021 <i>(Restated - Note 18)</i>
Cash Flows From Operating Activities		
Excess of Revenue over Expenses	265,466	1,526,883
Adjustment for item which does not affect cash		
Amortization	125,673	119,976
Deferred contribution recognition	(24,282)	(24,778)
	366,857	1,622,081
Change in non-cash working capital items		
Accounts receivable	24,930	91,236
Prepaid expenses	(26,846)	(122,055)
HST receivables	(34,799)	24,845
Accounts payable and accrued liabilities	117,370	135,946
Prepaid tuition and deposits	(111,311)	(433,333)
Reserve for building and property maintenance	50,322	4,369
	386,523	1,323,089
Cash Flows From Financing Activities		
Increase (Decrease) in investment loans payable - callable	(330,979)	(313,161)
Cash Flows From Investing Activities		
Purchase of equipment	(4,163)	-
Net Increase (Decrease) in Cash and Bank	51,381	1,009,928
Opening Cash and Bank	1,246,354	236,426
Closing Cash and Bank	1,297,735	1,246,354

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended August 31, 2022

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.

HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended August 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instrument measurement

The Institution initially measures its financial assets and financial liabilities originated or exchanged in arm's length transactions at fair value.

Financial assets and financial liabilities originated or exchanged in related party transactions, except for those that involve parties whose relationship with the organization is in the capacity of management, are initially measured at cost. The cost of a financial in a related party transaction depends on whether the instrument has repayment terms.

The Institution subsequently measures all its financial assets and liabilities at cost or amortized cost.

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

(f) Contributed services

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

(g) Government assistance

Grants towards current expenses, including salaries, are recognized as revenue in the period during which these expenses are incurred, provided there is reasonable assurance that the organization has complied and will continue to comply with all the conditions of the assistance.

3. ACCOUNTS RECEIVABLE	2022	2021
Tuition receivable	122,836	127,716
Allowance for doubtful tuition	(101,358)	(81,308)
	21,478	46,408

4. PROPERTY, PLANT AND EQUIPMENT	Cost	Accumulated Amortization	2022	2021
Land	291,391	-	291,391	291,391
Buildings	7,284,659	2,986,888	4,297,771	4,385,481
Equipment	775,816	742,578	33,238	41,547
Parking lot	69,610	57,525	12,085	13,135
Computer equipment	77,370	64,734	12,636	12,996
Beach volleyball courts	133,778	37,458	96,320	120,400
	8,632,624	3,889,183	4,743,441	4,864,950

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended August 31, 2022

5. PREPAID TUITION AND DEPOSITS	2022	2021
Prepaid tuition	550,862	691,137
Deferred revenue	153,122	144,367
International student deposits	188,400	168,192
	892,384	1,003,695

Prepaid tuition is tuition payments received during the year which are tuition for the 2022-2023 school year.

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

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

6. CALLABLE DEBT

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 2022 to 2025.

The balance of the investment loans payable is \$952,717 (2021 - \$931,085). This includes accrued interest at August 31, 2022 of \$14,080 (2021 - \$14,000). These loans do not require principal repayments during the term. The balance of the CRC Extension Fund is \$nil (2021 - \$275,700). This loan does not require principal repayments during the term. The balance of the Libro loan payable is \$nil (2021 - \$76,911).

7. RESERVE FOR TUITION ASSISTANCE

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended August 31, 2022

8. 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.

9. 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:

	2022	2021
		<i>(Restated - Note 18)</i>
Balance, beginning of year	1,214,124	1,238,902
Amortization of phase 1 addition	(24,282)	(24,778)
Balance, end of year	1,189,842	1,214,124

10. CONSTRUCTION IN PROCESS

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

11. AVAILABLE CREDIT FACILITIES

The Institution has available for its use a demand line of credit with a limit of \$350,000. 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.

This facility is 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, 2022 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2022

12. 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 \$127,083 (2021 - \$40,058). Gross revenue and expenses related to these events were \$154,105 (2021 - \$60,317) and \$27,021 (2021 - \$20,259) respectively.

13. VOLUNTEER SERVICES

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

14. 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.

15. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2022

16. GOVERNMENT GRANT

The government grant was used for to make the Institution more accessible. The Institution installed push buttons on the cafe, office, and library doors with the amount received by the government grant.

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 2022-2023 school year due to the pandemic, however the domestic group of students did increase overall.

18. RESTATEMENT OF COMPARATIVE FIGURES

During the 2022 year, it was determined that there was that was past deferred revenue related to capital assets revenue incorrectly recorded. As such, deferred contributions related to capital assets was previously understated, revenue was overstated and net assets was overstated. The total impact of correcting these items in the 2021 comparative figures is as follows:

	As Previously Reported	Adjustment	As Restated
Deferred contributions related to capital assets	1,102,634	111,490	1,214,124
Deferred Contribution Recognition	27,810	(3,032)	24,778
Surplus Unrestricted, August 31, 2020	612,969	(108,458)	504,511
Surplus Unrestricted, August 31, 2021	2,142,884	(111,490)	2,031,394

19. COMPARATIVE FIGURES

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