

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

**FINANCIAL STATEMENTS
For the year ended August 31, 2023**

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

For the year ended August 31, 2023

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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, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes and schedules 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, 2023, 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, 2023 and 2022, current assets as at August 31, 2023 and 2022, and net assets as at September 1 and August 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended August 31, 2022 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.

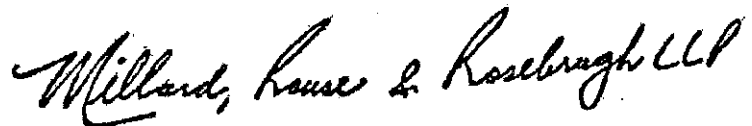
Auditors' Responsibilities for the Audit of the Financial Statements

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.



October 10, 2023
Brantford, Ontario

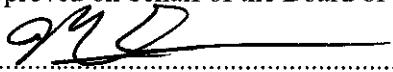
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

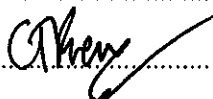
HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED
(O/A Hamilton District Christian High School)

STATEMENT OF FINANCIAL POSITION

As at August 31	2023	2022
ASSETS		
Current Assets		
Cash and bank	1,463,870	1,297,735
Accounts receivable (Note 3)	59,237	21,478
Prepaid expenses	114,786	233,827
HST receivable	90,358	50,119
Total Current Assets	1,728,251	1,603,159
Property, Plant and Equipment (Note 4)	4,648,727	4,743,441
Construction in Process (Note 10)	233,927	45,267
	6,610,905	6,391,867
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities and deferred fundraising revenue	1,090,291	401,745
Prepaid tuition and deposits (Note 5)	706,939	892,384
Reserve for building and property maintenance (Note 18)	256,942	54,691
Reserve for tuition assistance (Note 7)	181,890	181,890
Deferred Contributions Related to Capital Assets (Note 9)	1,356,535	1,189,842
Current liabilities before callable debt	3,592,597	2,720,552
Callable debt (Note 6)	944,555	952,717
Total Current Liabilities	4,537,152	3,673,269
Net Assets		
Scholarships (Note 8)	81,233	81,233
Surplus Unrestricted	1,992,520	2,637,365
	2,073,753	2,718,598
	6,610,905	6,391,867

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	2023	2022
Revenue		
Bus income	59,975	-
Cafeteria	84,295	60,578
Camps	19,882	17,419
Church collections	22,494	18,323
Fundraising (Note 12)	30,255	154,105
Government grants (Note 16)	10,000	-
Interest income	70,861	16,628
Membership fees	130,461	123,566
Other donations	31,367	71,727
Rental income	103,563	118,982
Textbook fees	54,450	52,200
Tuition	5,559,840	5,027,759
Tuition assistance	330,295	275,924
Wage subsidy	-	7,671
	6,507,738	5,944,882
Expenses		
Building - Page 5	414,620	366,447
Cafeteria	134,616	111,643
Camps	19,882	17,419
General - Page 5	658,783	475,624
Instructional - Page 5	606,642	373,914
Salaries and benefits	4,546,299	4,234,482
	6,380,842	5,579,529
Excess of Revenue over Expenses Before Debt Servicing, School Renewal, Amortization and Deferred Contribution Recognition	126,896	365,353
Debt Servicing and School Renewal		
Donations	19,740	38,097
Interest on long-term debt	(40,931)	(43,974)
School renewal income	225,499	604,522
School renewal expenses	(880,095)	(597,141)
	(675,787)	1,504
Excess of Revenue over Expenses / (Expenses over Revenue) Before Amortization of Property, Plant and Equipment and Deferred Contribution Recognition	(548,891)	366,857
Amortization of Property, Plant and Equipment	(119,128)	(125,673)
Loss on Disposal of Capital Asset	(623)	-
Deferred Contribution Recognition (Note 9)	23,797	24,282
Excess of Revenue over Expenses / (Expenses over Revenue)	(644,845)	265,466

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	2023	2022
Building Expenses		
Building and property maintenance	147,925	140,417
Insurance	48,216	40,874
Janitorial supplies	20,085	18,059
Property taxes	4,854	4,854
Sanitation supplies	46,269	39,702
Service contracts	6,853	5,194
Utilities - electricity	105,668	91,028
Utilities - gas	25,072	17,743
Utilities - water	9,678	8,576
	414,620	366,447
General Expenses		
Bus expenses	74,740	-
Communication services	9,436	10,058
Computer support	105,955	77,521
Fees and dues	22,300	35,050
Fundraising expenses	30,255	27,021
Gifts to charities and foundations	1,050	1,093
Interest and bank charges	13,526	15,011
Miscellaneous	22,453	11,842
Office supplies and professional development	259,041	211,184
Professional fees	20,203	16,662
Recruitment and advancement	70,806	42,736
Telephone	29,018	27,446
	658,783	475,624
Instructional Expenses		
Counselling services	9,008	4,250
Departmental supplies	568,173	351,760
Textbooks	29,461	17,904
	606,642	373,914

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, 2023	Foundation	Scholarships	Surplus unrestricted	Total
Balance, beginning of year	-	81,233	2,637,365	2,718,598
Excess of revenue over expenses (expenses over revenue)	-	-	(644,845)	(644,845)
Balance, end of year	-	81,233	1,992,520	2,073,753

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

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	2023	2022
Cash Flows From Operating Activities		
Excess of Revenue over Expenses / (Expenses over Revenue)	(644,845)	265,466
Adjustment for item which does not affect cash		
Amortization	119,128	125,673
Deferred contribution recognition	(23,797)	(24,282)
Loss on disposal of assets	623	-
	(548,891)	366,857
Change in non-cash working capital items		
Accounts receivable	(37,759)	24,930
Prepaid expenses	119,041	(26,846)
HST receivables	(40,239)	(34,799)
Accounts payable and accrued liabilities and deferred fundraising revenue	688,547	117,370
Prepaid tuition and deposits	(185,445)	(111,311)
Reserve for building and property maintenance	202,251	50,322
	197,505	386,523
Cash Flows From Financing Activities		
Increase (Decrease) in investment loans payable - callable	(8,162)	(330,979)
Cash Flows From Investing Activities		
Purchase of equipment	(25,038)	(4,163)
Increase in deferred capital contributions	190,490	-
Construction in process	(188,660)	-
	(23,208)	(4,163)
Net Increase (Decrease) in Cash and Bank	166,135	51,381
Opening Cash and Bank	1,297,735	1,246,354
Closing Cash and Bank	1,463,870	1,297,735

HAMILTON ASSOCIATION FOR CHRISTIAN EDUCATION INCORPORATED

(O/A Hamilton District Christian High School)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2023

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 received, 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
(O/A Hamilton District Christian High School)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended August 31, 2023

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 instrument 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	2023	2022
Tuition receivable	182,595	122,836
Allowance for doubtful tuition	(123,358)	(101,358)
	59,237	21,478

4. PROPERTY, PLANT AND EQUIPMENT	Cost	Accumulated Amortization	2023	2022
Land	291,391	-	291,391	291,391
Buildings	7,284,660	3,072,844	4,211,816	4,297,771
Equipment	794,405	745,904	48,501	33,238
Parking lot	69,610	58,492	11,118	12,085
Computer equipment	77,370	68,525	8,845	12,636
Beach volleyball courts	133,778	56,722	77,056	96,320
	8,651,214	4,002,487	4,648,727	4,743,441

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2023

5. PREPAID TUITION AND DEPOSITS	2023	2022
Prepaid tuition	469,718	550,862
Deferred revenue	171,921	153,122
International student deposits	65,300	188,400
	706,939	892,384

Prepaid tuition is tuition payments received during the year which are tuition for the 2023-2024 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 unsecured demand loans from private individuals which bear interest at 3.0% and 3.7% per annum. The loans have varying maturity dates, renewing annually.

The balance of the investment loans payable is \$944,555 (2022 - \$952,717). This includes accrued interest at August 31, 2023 of \$14,400 (2022 - \$14,080). These loans do not require principal repayments during the term.

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. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended August 31, 2023

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:

	2023	2022
Balance, beginning of year	1,189,842	1,214,124
Funds received	190,490	-
Amortization	(23,797)	(24,282)
Balance, end of year	1,356,535	1,189,842

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.

Subsequent to year-end, the Institution also has confirmed a commercial mortgage loan for \$1,000,000 which bears interest at 7.20%. The interest is to be repaid monthly with principal payments due on demand. The commercial mortgage loan is available to assist with the paydown of school renewal expenses.

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, 2023 under this agreement was \$4,641,842.

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, 2023

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 \$Nil (2022 - \$127,083). Gross revenue and expenses related to these events were \$30,255 (2022 - \$154,105) and \$30,255 (2022 - \$27,021) 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. Employer contributions made to the plan during the year by the Institution amounted to \$320,089 (2022 - \$281,684).

An actuarial valuation of the plan was completed as of August 31, 2022 and the report was filed with the pension regulator. The report showed the plan was 93% funded on a going-concern basis in 2022, as compared to 100% in 2021. 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, 2023

16. GOVERNMENT GRANTS

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. COMMITMENT

The Institution has committed to a construction contract of \$1,413,582, with costs of \$735,319 to be completed subsequent to year-end.

18. RESERVE FOR BUILDING AND PROPERTY MAINTENANCE

The reserve for building and property maintenance consists of funds which have been collected by the Institution in the current period and internally restricted to be utilized for building and property repairs in the subsequent period.