

LANGS FARM VILLAGE ASSOCIATION

**FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015**



MARCH 31, 2015
CONTENTS

	Page
Independent Auditors' Report	1
Non-Consolidated Financial Statements	
Statement of Operations	2
Statement of Changes in Fund Balances	3
Financial Position	4 - 5
Statement of Cash Flows	6
Explanatory Financial Notes	7 - 14

INDEPENDENT AUDITORS' REPORT

To the Members of
Langs Farm Village Association

We have audited the accompanying non-consolidated financial statements of **Langs Farm Village Association**, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many non-profit organizations, the Organization derived revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to fundraising revenues, excess (deficiency) of revenue over expenditure and fund balances.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **Langs Farm Village Association** as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Carolan Mathew Professional Corporation

Cambridge, Ontario
May 25, 2015

CHARTERED ACCOUNTANTS, authorized to practise public
accounting by the Chartered Professional Accountants of Ontario



**NON-CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2015**

	Operating \$	Capital \$	Operating Reserve \$	Program Expansion \$	Capital Reserve \$	2015 \$	2014 \$
Revenue							
MOHLTC funding	7,737,700	166,819				7,904,519	7,401,385
Other government funding	440,486					440,486	417,068
Grants and donations	960,117	25,142				985,259	815,890
Rental and other income	309,328	81,055				390,383	332,244
Fundraising	21,966					21,966	15,330
Program fees	58,243					58,243	31,580
Administration fees					158,855	158,855	116,373
Interest	5,000				5,517	10,517	8,015
	9,532,840	273,016			164,372	9,970,228	9,137,885
Expenditures							
Amortization						611,538	660,806
Honorarium	660					660	560
Medical supplies	41,575					41,575	37,615
Non-recurring costs	289,000					289,000	5,068
Office and administration	503,160					503,160	473,611
Professional fees	29,442					29,442	75,574
Program expenses	659,829					659,829	491,400
Rent and utilities (note 5)	820,144					820,144	708,998
Repairs and maintenance	96,199					96,199	69,727
Salaries and benefits	6,854,171					6,854,171	6,282,594
Special events	3,276					3,276	4,805
Staff training and travel	102,729					102,729	76,718
Interest on long-term debt		161,896				161,896	177,066
	9,400,185	773,434				10,173,619	9,064,542
Excess (deficiency) of revenue over expenditures before Midwifery TPA	132,655	(500,418)			164,372	(203,391)	73,343
Midwifery transfer payment agency							
Revenue	3,291,946					3,291,946	2,838,505
Expenditures	(2,491,347)					(2,491,347)	(2,278,972)
Amount refundable to the Ministry of Health and Long-Term Care	(800,599)					(800,599)	(559,533)
Excess (deficiency) of revenue over expenditures	132,655	(500,418)			164,372	(203,391)	73,343

The explanatory financial notes form an integral part of these financial statements.



**NON-CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2015**

	Operating \$	Capital \$	Operating Reserve \$	Program Expansion \$	Capital Reserve \$	2015 \$	2014 \$
Balance, beginning of year	96,094	8,281,350	289,030	44,858	1,477,615	10,188,947	10,115,604
Excess (deficiency) of revenue over expenditures for year	132,655	(500,418)			164,372	(203,391)	73,343
Inter-fund transfer	(132,000)				132,000		
Balance, end of year (note 13)	96,749	7,780,932	289,030	44,858	1,773,987	9,985,556	10,188,947

The explanatory financial notes form an integral part of these financial statements.



**NON-CONSOLIDATED FINANCIAL POSITION
MARCH 31, 2015**

	Operating		Capital		Operating Reserve		Program Expansion		Capital Reserve		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS												
Cash	1,069,220	1,232,850										
Short-term investments (note 3)					289,030	89,040	44,858	44,858	1,440,950	1,171,913	2,844,058	2,404,763
Accounts receivable (note 4)	307,896	283,994							333,037	241,354	333,037	375,252
Prepaid expenses	51,382	48,431									307,896	283,994
Recoverable deposit			200,000	200,000							51,382	48,431
Current assets	1,428,498	1,565,275	200,000	200,000	289,030	89,040	44,858	44,858	1,773,987	1,413,267	3,736,373	3,312,440
Due from Langs Community Development Corporation (note 5)			484,822	484,821							484,822	484,821
Due from MOHL/TC - North Dumfries Capital			208,032	208,032							208,032	208,032
Property and equipment (note 7)			14,135,807	14,097,616							14,135,807	14,097,616
	1,428,498	1,565,275	15,028,661	14,990,469	289,030	89,040	44,858	44,858	1,773,987	1,413,267	18,565,034	18,102,909

The explanatory financial notes form an integral part of these financial statements.



**NON-CONSOLIDATED FINANCIAL POSITION
MARCH 31, 2015**

	Operating		Capital		Operating Reserve		Program Expansion		Capital Reserve		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
LIABILITIES AND FUND BALANCES												
Accounts payable and accrued liabilities (note 6)	1,835,610	1,492,153									1,835,610	1,492,203
Due to MOHLTC (note 8)	169,221	298,803									169,221	298,803
Due to MOHLTC, Ontario Midwifery Program	800,599	559,533									800,599	559,533
Deferred revenue (note 9)	1,307,381	896,756									1,307,381	896,756
Long-term debt (note 11)			200,000	200,000							200,000	200,000
Inter-fund balance (note 10)	(2,781,062)	(1,778,114)	2,781,062	2,042,452							(64,348)	
Current liabilities	1,331,749	1,469,131	2,981,062	2,242,452							(64,348)	3,447,295
Long-term debt (note 11)	1,331,749	1,469,131	7,247,729	6,709,119							4,266,667	4,466,667
Fund balances												
Internally restricted	96,749	96,094	7,780,932	8,281,350	289,030	289,030	44,858	44,858	1,773,987	1,477,615	9,888,807	10,092,853
Unrestricted	96,749	96,094	7,780,932	8,281,350	289,030	289,030	44,858	44,858	1,773,987	1,477,615	9,985,556	10,188,947
	1,428,498	1,565,275	15,028,661	14,990,469	289,030	89,040	44,858	44,858	1,773,987	1,413,267	18,565,034	18,102,909

APPROVED BY THE BOARD:

 Director
 Director

The explanatory financial notes form an integral part of these financial statements.



**NON-CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2015**

	2015 \$	2014 \$
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenditure for year	(203,391)	73,343
Item not involving cash:		
Amortization	611,538	660,806
	408,147	734,149
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	(23,902)	(63,293)
Prepaid expenses	(2,951)	(13,416)
Accounts payable and accrued liabilities	343,406	425,408
Due to MOHLTC	111,484	(543,969)
Deferred revenue	410,625	412,574
	1,246,809	951,453
Cash flows from investment activities:		
Purchase of property and equipment - net	(649,729)	(13,141)
Change in short-term investments	42,215	(47,480)
	(607,514)	(60,621)
Cash flows from financing activities:		
Advance to Langs Community Development Corporation		(236,300)
Repayment of long term debt	(200,000)	(200,000)
	(200,000)	(436,300)
Net increase in cash	439,295	454,532
Cash, beginning of year	2,404,763	1,950,231
Cash, end of year	2,844,058	2,404,763

The explanatory financial notes form an integral part of these financial statements.



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2015**

1. Nature of Organization

The Organization is a registered charity incorporated without share capital under the laws of Ontario to provide community, health and social services to the neighbourhood.

As Langs Farm Village Association is a registered charity under the Income Tax Act, its income is not taxable and it is eligible to issue official income tax receipts for charitable donations.

2. Summary of Significant Accounting Policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Amortization of property and equipment

Property and equipment include capital assets that are stated at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Computer hardware	33%	Straight-line
Computer software	50%	Straight-line
Leasehold improvements	20%	Straight-line
Equipment	20%	Declining-balance
Vehicles	10%	Straight-line
Buildings	3%	Straight-line

(b) Fund accounting

To ensure observation of restrictions placed on the use of resources available to Langs Farm Village Association, the accounts are maintained in accordance with the principles of fund accounting. The resources are classified for accounting and reporting purposes into the following funds which have been established according to their nature and purpose:

The **Operating fund** accounts for the Organization's program delivery and administrative activities.

The **Capital fund** represents the assets, liabilities, revenue and expenditures related to the capital assets acquired by the Organization.

The **Operating reserve fund** represents funds that have been restricted by the Board of Directors to offset certain future costs such as pay equity and to offset unexpected operating deficits.

The **Program expansion reserve fund** represents funds that have been restricted by the Board of Directors to finance future program expansions.

The **Capital reserve fund** represents funds that have been restricted by the Board of Directors to finance future building and renovation costs.



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2015**

2. Summary of Significant Accounting Policies (Continued)

(c) Financial instruments

All financial assets and liabilities are recorded at amortized cost less any discovered impairment.

(d) Revenue recognition

Langs Farm Village Association is a multi-funded Organization with the majority of funding coming from the Ministry of Health and Long-Term Care/Local Health Integration Network. Annual reconciliation reports are submitted to the Ministry of Health and Long-Term Care/Local Health Integration Network by the Organization for final approval. Assessments of prior funding may occur based on funder decisions. The effect of these adjustments, which cannot be quantified at the time of preparing the financial statements, will be recorded in the year of assessment.

Revenue related to delivery of specific programs is recognized as revenue in the Operating fund in the year in which the program occurs. The Organization follows the restricted fund method of accounting for contributions whereby externally restricted contributions are recognized in the fund corresponding to the purpose for which they were contributed. Where there is no appropriate restricted fund, restricted contributions are recognized under the deferral method in the Operating fund. Unrestricted contributions are recognized as revenues in the Operating fund.

Investment income is recognized as it is earned in the Operating fund

(e) Contributed services and materials

Donations of materials and services are not reflected in these financial statements because of the impracticality of the record keeping and valuation of them.

(f) Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

3. Short-Term Investments

	2015	2014
	\$	\$
Guaranteed investment certificates - interest rates at 0.8%, maturing in January 2016	333,037	375,252



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2015**

	2015 \$	2014 \$
4. Accounts Receivable		
Trade	150,424	182,763
Accrued interest	650	645
HST recoverable	156,822	100,586
	307,896	283,994

5. Due from Langs Community Development Corporation

Langs Farm Village Association (the "Organization") controls Langs Community Development Corporation ("LCDC"). LCDC is a not-for-profit organization without share capital established for the purposes of acquiring land and building for a multi-purpose facility that can be leased or sold. LCDC prepares its own financial reports that are consistent with the financial policies of the Organization (e.g. fiscal year, spending limitations, signing authorities). LCDC has not been consolidated in the Organization's financial statements. A financial summary of the unaudited and unconsolidated entity at March 31, 2015 and March 31, 2014 and the years then ended are as follows:

Financial Position		
Total assets	833,814	765,084
Total liabilities	488,053	471,778
Total net assets	345,761	293,306
	833,814	765,084
Results of Operations		
Total revenue	60,000	60,000
Total expenditures	(7,545)	(2,441)
Excess of revenue over expenditures	52,455	57,559

During the fiscal year the Organization paid land lease costs to Langs Community Development Corporation in the amount of \$60,000. The land is leased on a year to year basis.

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities	1,835,610	1,489,089
Government remittances payable		3,064
	1,835,610	1,492,153



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2015**

	2015 \$	2014 \$
7. Property and Equipment		
Cost - Cambridge		
Computer hardware	424,310	412,481
Computer software	180,646	177,242
Leasehold improvements	861,554	811,729
Equipment	607,388	573,788
Vehicles	62,034	62,034
Building	14,271,939	14,239,184
	16,407,871	16,276,458
Accumulated amortization		
Computer hardware	390,282	372,548
Computer software	161,364	127,055
Leasehold improvements	815,051	809,514
Equipment	268,043	187,407
Vehicles	47,903	41,700
Building	1,876,656	1,448,989
	3,559,299	2,987,213
Cost - North Dumfries		
Computer hardware	12,666	12,666
Equipment	85,285	82,204
Building	1,350,990	835,755
	1,448,941	930,625
Accumulated amortization - North Dumfries		
Computer hardware	12,666	12,666
Equipment	57,142	50,491
Building	91,898	59,097
	161,706	122,254
Net Book Value	14,135,807	14,097,616



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2015**

	2015 \$	2014 \$
8. Due to Ministry of Health and Long-Term Care (MOHLTC)		
Approved Community Health Centre funding	5,640,136	5,049,386
Eligible expenses - Community Health Centre	5,640,136	5,045,553
Balance due to MOHLTC	NIL	3,833
Approved Diabetes Education program funding	1,647,040	1,658,440
Eligible expenses - MOH Diabetes Education program	1,602,905	1,555,918
Balance due to MOHLTC	44,135	102,522
Approved Diabetes Self-Management program funding	279,400	286,700
Eligible expenses - MOH Diabetes Self-Management program	277,113	283,233
Balance due to MOHLTC	2,287	3,467
Approved Diabetes Regional Coordination program funding	389,315	563,315
Eligible expenses - MOH Diabetes Regional	389,315	516,681
Balance due to MOHLTC	NIL	46,634
Balance due for year	46,422	156,456
Balance, beginning of year	298,803	706,267
Recovered during year	(176,004)	(563,920)
Balance, end of year	169,221	298,803

9. Deferred Revenue

Deferred revenue consists of unearned rental revenue and funding received from community sponsors which relates to the next fiscal year or funding for specific expenditures to be incurred in the next fiscal year.

10. Inter-fund Balance

The inter-fund loan is interest free, unsecured and due on demand.



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2015**

	2015 \$	2014 \$
11. Long-Term Debt		
Royal Bank term loan bearing interest at prime plus 1% per annum, repayable in equal monthly principal payments of \$16,667, maturing July 2017	4,466,667	4,666,667
Current portion due within one year	200,000	200,000
	4,266,667	4,466,667

The term loan is secured by a general security agreement providing a first ranking security interest on all properties of the Organization and a guarantee and postponement of claim in the amount of \$7,000,000 from LCDC.

Principal repayments for the next three years are approximately as follows:

2016	200,000
2017	200,000
2018	4,066,667
	4,466,667

12. Commitments

The Organization has entered into leases for one of its premises and various equipment expiring between 2016 and 2018.

The future minimum annual lease payments are as follows:

2016	134,300
2017	139,200
2018	68,800
	208,000



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2015**

	2015 \$	2014 \$
13. Reserve Fund Balances		
Included in the reserve fund balances, are sub-funds as shown below:		
Operating Fund	96,749	96,094
Capital Fund	7,780,932	8,281,350
Operating Reserve		
General Operating Reserve	45,124	45,124
30th Anniversary Book	1,982	1,982
Reserve - Facility	241,924	241,924
	289,030	289,030
Program Expansion reserve	44,858	44,858
Capital Reserve		
Land and building	1,770,088	1,473,716
Community Van reserve	3,899	3,899
	1,773,987	1,477,615

Some of the current year's surplus under Operating Fund may be subject to a recovery by the Ministry of Health and Long-Term Care.

14. Contingent Liability

During 2014, the Organization discovered it had inadvertently transferred certain capital assets with a net value of \$7,409,761 to a non-qualified donee, which contravenes the rules of the Income Tax Act. Upon discovering the transfer, the Organization, in keeping with its guiding principle of transparency, immediately and voluntarily approached Canada Revenue Agency (CRA) with a plan to remedy the situation and is proactively working with them to resolve the matter.

Although, it is not determinable at this time what penalty, if any, CRA may impose on the Organization, CRA has indicated that a financial penalty would not be applied under the circumstances. Accordingly, no accrual for any liability has been made in these financial statements.



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2015**

15. Registered Retirement Savings/Pension Plan

The Organization made contributions to a registered retirement savings plan match program during the year for designated employees. The amount contributed to the plan in fiscal 2015 was \$28,702 for current service (\$22,305 in 2014). These payments are included as an expenditure in the statement of operations under salaries and benefits.

In February 2010, the Board of Directors approved a change in the Organization's pension plan to HOOPP. All new employees are required to join HOOPP and existing members had the option of changing to HOOPP or continuing with the registered retirement savings plan match program. The amount contributed to HOOPP in fiscal 2015 was \$410,730 (\$370,644 in 2014) for current service. These payments are included as an expenditure in the statement of operations under salaries and benefits.

HOOPP is a multi-employer defined benefit pension plan. The member Organizations are unable to identify their share of the underlying assets and liabilities. As a result, the benefit plan has been accounted for following the recommendations for defined contribution plans.

16. Financial Instruments

The entity is exposed to various risks through its financial instruments. The following analysis provides a measure of the entity's risk exposure and concentrations at the reporting date.

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they come due. The Organization has taken steps to ensure that it has sufficient working capital available to meet its obligations. This risk has not changed from the prior year.

Credit risk

Financial instruments which are potentially exposed to credit risk include cash, accounts receivable and due from Langs Community Development Corporation. Management considers its exposure to credit risk attributable to cash to be trivial as the Organization holds cash deposits at a major Canadian chartered bank. Accounts receivable are not concentrated and therefore bear only low to moderate risk; the carrying amount of accounts receivable represents the maximum credit risk exposure.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The entity is mainly exposed to interest rate risk.

Interest rate risk

The Organization is exposed to interest rate risk arising from fluctuations in interest rates depending on prevailing rates at renewal of investments. To manage interest rate exposure, the Organization invests in various income vehicles backed by a chartered bank. This risk has not changed from the prior year.