

**LANGS FARM VILLAGE ASSOCIATION**  
**NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2016**



MARCH 31, 2016  
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## 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, 2016, 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 judgement, 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 audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Langs Farm Village Association** as at March 31, 2016, 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 Macken Professional Corporation*

Cambridge, Ontario  
May 24, 2016

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



**NON-CONSOLIDATED STATEMENT OF OPERATIONS  
YEAR ENDED MARCH 31, 2016**

	Operating \$	Capital \$	Operating Reserve \$	Program Expansion \$	Capital Reserve \$	2016 \$	2015 \$
<b>Revenue</b>							
MOHLTC funding	7,657,680	226,838				7,884,518	7,737,700
Other government funding	470,874					470,874	591,189
Grants and donations	817,255	45,180				862,435	1,001,375
Rental and other income	264,618	84,800				349,418	390,383
Fundraising	18,090					18,090	21,966
Program fees	84,976				133,364	84,976	58,243
Administration fees	30,510				7,421	163,874	158,855
Interest	4,032					11,453	10,517
	<b>9,348,035</b>	<b>356,818</b>			<b>140,785</b>	<b>9,845,638</b>	<b>9,970,228</b>
<b>Expenditures</b>							
Amortization		610,534				610,534	611,538
Honorarium	680					680	660
Medical supplies	31,264					31,264	41,575
Non-recurring costs	181,012					181,012	289,000
Office and administration	312,847					312,847	361,746
Professional fees	436,061					436,061	381,574
Program expenses	355,974					355,974	449,111
Rent and utilities (note 5)	456,538					456,538	791,947
Repairs and maintenance	124,139					124,139	124,395
Salaries and benefits	7,254,392					7,254,392	6,854,171
Special events	7,706					7,706	3,276
Staff training and travel	100,448					100,448	102,729
Interest on long-term debt		164,369				164,369	161,896
	<b>9,261,061</b>	<b>774,903</b>				<b>10,035,964</b>	<b>10,173,618</b>
Excess (deficiency) of revenue before undernoted items	86,974 (	418,085)			140,785 (	190,326 (	203,390)
Property tax rebate	293,572					293,572	
Excess (deficiency) of revenue over expenditures before Midwifery TPA	380,546 (	418,085)			140,785 (	103,246 (	203,390)
Midwifery transfer payment agency Revenue	2,725,272					2,725,272	3,291,946
Expenditures	( 2,669,582)					( 2,669,582)	( 2,491,347)
Amount refundable to the Ministry of Health and Long-Term Care	( 55,690)					( 55,690)	( 800,599)
Excess (deficiency) of revenue over expenditures	380,546 (	418,085)			140,785 (	103,246 (	203,390)

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



**NON-CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES  
YEAR ENDED MARCH 31, 2016**

	Operating \$	Capital \$	Operating Reserve \$	Program Expansion \$	Capital Reserve \$	2016 \$	2015 \$
Balance, beginning of year	96,749	7,780,932	289,030	44,858	1,773,987	9,985,556	10,188,946
Excess (deficiency) of revenue over expenditures for year	380,546	( 418,085)			140,785	103,246	( 203,390)
Inter-fund transfer	( 473,572)				473,572		
<b>Balance, end of year (note 13)</b>	<b>3,723</b>	<b>7,362,847</b>	<b>289,030</b>	<b>44,858</b>	<b>2,388,344</b>	<b>10,088,802</b>	<b>9,985,556</b>

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



**NON-CONSOLIDATED FINANCIAL POSITION  
MARCH 31, 2016**

	Operating		Capital		Operating Reserve		Program Expansion		Capital Reserve		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>												
Cash	187,004	1,069,220			289,030	289,030	44,858	44,858	1,440,950	1,440,950	1,597,497	2,844,058
Short-term investments (note 3)									838,167	838,167	838,167	333,037
Accounts receivable (note 4)	318,859	307,896									318,859	307,896
Prepaid expenses	50,808	51,382									50,808	51,382
Recoverable deposit				200,000								200,000
<b>Current assets</b>	<b>556,671</b>	<b>1,428,498</b>		<b>200,000</b>	<b>289,030</b>	<b>289,030</b>	<b>44,858</b>	<b>44,858</b>	<b>1,773,987</b>	<b>1,773,987</b>	<b>2,805,331</b>	<b>3,736,373</b>
Due from Langs Community Development Corporation (note 5)				484,822							484,822	484,822
Due from MOHLTC - North Dumfries Capital				208,032							208,032	208,032
Property and equipment (note 7)				13,861,058							13,861,058	14,135,807
	<b>556,671</b>	<b>1,428,498</b>	<b>14,553,912</b>	<b>15,028,661</b>	<b>289,030</b>	<b>289,030</b>	<b>44,858</b>	<b>44,858</b>	<b>1,914,772</b>	<b>1,773,987</b>	<b>17,359,243</b>	<b>18,565,034</b>

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



**NON-CONSOLIDATED FINANCIAL POSITION  
MARCH 31, 2016**

	Operating		Capital		Operating Reserve		Program Expansion		Capital Reserve		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>LIABILITIES AND FUND BALANCES</b>												
Accounts payable and accrued liabilities (note 6)	1,449,442	1,835,610									1,449,442	1,835,610
Due to MOHLTC (note 8)	83,057	169,221									83,057	169,221
Due to MOHLTC, Ontario Midwifery Program	55,690	800,599									55,690	800,599
Deferred revenue (note 9)	1,415,585	1,307,381									1,415,585	1,307,381
Long-term debt (note 11)		200,000	200,000	200,000							200,000	200,000
Inter-fund balance (note 10)	( 2,450,826)	( 2,781,062)	2,924,398	2,781,062								
<b>Current liabilities</b>	<b>552,948</b>	<b>1,331,749</b>	<b>3,124,398</b>	<b>2,981,062</b>			<b>( 473,572)</b>	<b>( 473,572)</b>			<b>3,203,774</b>	<b>4,312,811</b>
Long-term debt (note 11)	552,948	1,331,749	4,066,667	4,266,667							4,066,667	4,266,667
Fund balances												
Internally restricted	3,723	96,749	7,362,847	7,780,932	289,030	289,030	44,858	44,858	1,773,987	1,773,987	10,085,079	9,888,807
Unrestricted	3,723	96,749	7,362,847	7,780,932	289,030	289,030	44,858	44,858	2,388,344	1,773,987	10,088,802	9,985,556
	<b>556,671</b>	<b>1,428,498</b>	<b>14,553,912</b>	<b>15,028,661</b>	<b>289,030</b>	<b>289,030</b>	<b>44,858</b>	<b>44,858</b>	<b>1,914,772</b>	<b>1,773,987</b>	<b>17,359,243</b>	<b>18,565,034</b>

**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, 2016**

	2016 \$	2015 \$
<b>Cash flows from operating activities:</b>		
Excess (deficiency) of revenue over expenditure for year	103,246	( 203,390)
Item not involving cash:		
Amortization	610,534	611,538
	713,780	408,148
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	( 10,963)	( 23,902)
Prepaid expenses	574	( 2,951)
Accounts payable and accrued liabilities	( 386,169)	343,406
Due to MOHLTC	( 831,073)	111,484
Deferred revenue	108,204	410,625
	( 405,647)	1,246,810
<b>Cash flows from investment activities:</b>		
Purchase of property and equipment - net	( 135,784)	( 649,729)
Change in short-term investments	( 505,130)	42,215
	( 640,914)	( 607,514)
<b>Cash flows from financing activities:</b>		
Repayment of long term debt	( 200,000)	( 200,000)
<b>Net increase (decrease) in cash</b>	<b>( 1,246,561)</b>	<b>439,296</b>
Cash, beginning of year	2,844,058	2,404,762
<b>Cash, end of year</b>	<b>1,597,497</b>	<b>2,844,058</b>

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





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**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES  
YEAR ENDED MARCH 31, 2016**

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**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, 2016**

**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 appropriate 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.

<b>2016</b>	<b>2015</b>
\$	\$

**3. Short-Term Investments**

Guaranteed investment certificates - interest rates from 0.5% to 1.5%, maturing in January and March 2017	<b>838,167</b>	<b>333,037</b>
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**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES  
YEAR ENDED MARCH 31, 2016**

	2016 \$	2015 \$
<b>4. Accounts Receivable</b>		
Trade	194,353	150,424
Accrued interest	554	650
HST recoverable	123,952	156,822
	<b>318,859</b>	<b>307,896</b>

**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, 2016 and March 31, 2015 and the years then ended are as follows:

<b>Financial Position</b>		
Total assets	903,790	833,814
Total liabilities	500,767	488,053
Total net assets	403,023	345,761
	<b>903,790</b>	<b>833,814</b>
<b>Results of Operations</b>		
Total revenue	60,000	60,000
Total expenditures	( 2,549)	( 7,545)
Excess of revenue over expenditures	57,451	52,455

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. These transactions were carried out in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**6. Accounts Payable and Accrued Liabilities**

There were no amounts payable with respect to government remittances as of the year end date.



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES**  
**YEAR ENDED MARCH 31, 2016**

	2016	2015
	\$	\$
<b>7. Property and Equipment</b>		
<b>Cost - Cambridge</b>		
Computer hardware	462,205	424,310
Computer software	182,361	180,646
Leasehold improvements	886,595	861,554
Equipment	645,807	607,388
Vehicles	62,034	62,034
Building	14,472,533	14,271,939
	<b>16,711,535</b>	<b>16,407,871</b>
<b>Accumulated amortization</b>		
Computer hardware	416,220	390,282
Computer software	180,224	161,364
Leasehold improvements	828,073	815,051
Equipment	339,754	268,043
Vehicles	54,107	47,903
Building	2,304,815	1,876,656
	<b>4,123,193</b>	<b>3,559,299</b>
<b>Cost - North Dumfries</b>		
Computer hardware	12,666	12,666
Equipment	85,285	85,285
Building	1,383,111	1,350,990
	<b>1,481,062</b>	<b>1,448,941</b>
<b>Accumulated amortization - North Dumfries</b>		
Computer hardware	12,666	12,666
Equipment	62,770	57,142
Building	132,910	91,898
	<b>208,346</b>	<b>161,706</b>
<b>Net Book Value</b>	<b>13,861,058</b>	<b>14,135,807</b>

**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES  
YEAR ENDED MARCH 31, 2016**

	2016 \$	2015 \$
<b>8. Due to Ministry of Health and Long-Term Care (MOHLTC)</b>		
Approved Community Health Centre funding	5,477,475	5,640,136
Eligible expenses - Community Health Centre	5,473,559	5,640,136
<b>Balance due to MOHLTC</b>	<b>3,916</b>	NIL
Approved Diabetes Education program funding	1,647,040	1,647,040
Eligible expenses - MOH Diabetes Education program	1,621,154	1,602,905
<b>Balance due to MOHLTC</b>	<b>25,886</b>	44,135
Approved Diabetes Self-Management program funding	303,782	279,400
Eligible expenses - MOH Diabetes Self-Management program	300,034	277,113
<b>Balance due to MOHLTC</b>	<b>3,748</b>	2,287
Approved Diabetes Regional Coordination program funding	529,315	389,315
Eligible expenses - MOH Diabetes Regional	493,804	389,315
<b>Balance due to MOHLTC</b>	<b>35,511</b>	NIL
Balance due for year	69,061	46,422
Balance, beginning of year	169,221	298,803
Recovered during year	( 155,225)	( 176,004)
<b>Balance, end of year</b>	<b>83,057</b>	169,221

**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, 2016**

	2016	2015
	\$	\$
<b>11. Long-Term Debt</b>		
Royal Bank term loan bearing interest at prime plus 1% per annum, repayable in equal monthly principal payments of \$16,667, maturing July 2017	4,266,667	4,466,667
Current portion due within one year	200,000	200,000
	<b>4,066,667</b>	<b>4,266,667</b>

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.

Subsequent to year-end, the Organization refinanced the loan in the amount of \$4,280,000 with TD Canada Trust for a five year term, repayable in blended monthly payments of \$24,277 and with an interest rate of 3.25%.

Principal repayments for the next five years under the new loan terms are approximately as follows:

2017	141,744
2018	159,483
2019	164,708
2020	170,104
2021	3,643,961
	<b>4,280,000</b>

**12. Commitments**

The Organization has entered into leases for one of its premises and various equipment expiring between 2017 and 2020.

The future minimum annual lease payments are as follows:

2017	97,407
2018	5,145
2019	5,145
2020	2,573
	<b>110,270</b>



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES  
YEAR ENDED MARCH 31, 2016**

	2016	2015
	\$	\$
<b>13. Reserve Fund Balances</b>		
Included in the reserve fund balances, are sub-funds as shown below:		
Operating Fund	<u>3,723</u>	96,749
Capital Fund	<u>7,362,847</u>	7,780,932
Operating Reserve		
General Operating Reserve	45,124	45,124
30th Anniversary Book	1,982	1,982
Reserve - Facility	<u>241,924</u>	241,924
	<u>289,030</u>	289,030
Program Expansion reserve	<u>44,858</u>	44,858
Capital Reserve		
Land and building	2,384,445	1,770,088
Community Van reserve	<u>3,899</u>	3,899
	<u>2,388,344</u>	1,773,987

Some of the current year's surplus under the 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.

**15. Comparative Figures**

Comparative figures have, in some instances, been restated in order to present them in a form comparable to those for the current year.



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**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES  
YEAR ENDED MARCH 31, 2016**

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**16. 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 2016 was \$20,054 for current service (\$28,702 in 2015). 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 2016 was \$438,930 (\$410,730 in 2015) 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.

**17. 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.