

LANGS FARM VILLAGE ASSOCIATION
NON-CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017



MARCH 31, 2017
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, 2017, 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, 2017, 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.



Cambridge, Ontario
May 30, 2017

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



NON-CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2017

	Operating \$	Capital \$	Operating Reserve \$	Program Expansion \$	Capital Reserve \$	2017 \$	2016 \$
Revenue							
MOHLTC funding	8,294,708	171,427				8,466,135	7,884,518
Other government funding	519,134					519,134	470,874
Grants and donations	773,820	238,006				1,011,826	863,393
Rental and other income	224,405	39,538				263,943	348,460
Fundraising	27,365					27,365	18,090
Program fees	36,164					36,164	30,893
Back office support fees	59,654				223,516	59,654	54,083
Administration fees					223,516		163,874
Interest	4,477				15,158	19,635	11,453
	<u>9,939,727</u>	<u>448,971</u>			<u>238,674</u>	<u>10,627,372</u>	<u>9,845,638</u>
Expenditures							
Amortization		588,171				588,171	610,534
Honorarium	580					580	680
Medical supplies	34,763					34,763	31,264
Non-recurring costs	353,000					353,000	181,012
Office and administration	323,960					323,960	312,847
Professional fees	466,465					466,465	436,061
Program expenses	427,843					427,843	355,974
Rent and utilities (note 5)	448,415					448,415	456,538
Repairs and maintenance	130,849					130,849	124,139
Salaries and benefits (note 14)	7,648,521					7,648,521	7,254,392
Special events	5,350					5,350	7,706
Staff training and travel	74,606					74,606	100,448
Interest on long-term debt		160,507				160,507	164,369
	<u>9,914,352</u>	<u>748,678</u>				<u>10,663,030</u>	<u>10,035,964</u>
Excess (deficiency) of revenue before undernoted items	25,375	(299,707)			238,674	(35,658)	(190,326)
Property tax rebate							293,572
Excess (deficiency) of revenue over expenditures before Midwifery TPA	25,375	(299,707)			238,674	(35,658)	103,246
Midwifery transfer payment agency Revenue	2,908,258					2,908,258	2,728,683
Expenditures	(2,667,526)					(2,667,526)	(2,672,993)
Amount refundable to the Ministry of Health and Long-Term Care	(240,732)					(240,732)	(55,690)
Excess (deficiency) of revenue over expenditures	<u>25,375</u>	<u>(299,707)</u>			<u>238,674</u>	<u>(35,658)</u>	<u>103,246</u>

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



**NON-CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2017**

	Operating \$	Capital \$	Operating Reserve \$	Program Expansion \$	Capital Reserve \$	2017 \$	2016 \$
Balance, beginning of year	3,723	7,362,847	289,030	44,858	2,388,344	10,088,802	9,985,556
Excess (deficiency) of revenue over expenditures for year	25,375	(299,707)			238,674	(35,658)	103,246
Inter-fund transfer	(25,000)		25,000				
Balance, end of year (note 13)	4,098	7,063,140	314,030	44,858	2,627,018	10,053,144	10,088,802

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



NON-CONSOLIDATED FINANCIAL POSITION
MARCH 31, 2017

	Operating		Capital		Operating Reserve		Program Expansion		Capital Reserve		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS												
Cash	49,202	187,004			314,030	289,030	44,858	44,858	1,917,009	1,076,605	2,325,102	1,597,497
Short-term investments (note 3)									710,009	838,167	710,009	838,167
Accounts receivable (note 4)	285,972	318,859									285,972	318,859
Prepaid expenses	59,140	50,808									59,140	50,808
Current assets	394,314	556,671			314,030	289,030	44,858	44,858	2,627,018	1,914,772	3,380,223	2,805,331
Due from Langs Community Development Corporation (note 5)			484,822	484,822							484,822	484,822
Due from MOHLTC - North Dumfries Capital Property and equipment (note 7)				208,032								208,032
			13,786,904	13,861,058							13,786,904	13,861,058
	394,314	556,671	14,271,726	14,553,912	314,030	289,030	44,858	44,858	2,627,018	1,914,772	17,651,949	17,359,243


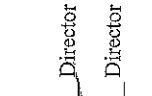
The explanatory financial notes form an integral part of these financial statements.



**NON-CONSOLIDATED FINANCIAL POSITION
MARCH 31, 2017**

	Operating		Capital		Operating Reserve		Program Expansion		Capital Reserve		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
LIABILITIES AND FUND BALANCES												
Accounts payable and accrued liabilities (notes 5 and 6)	1,585,156	1,449,442									1,585,159	1,449,442
Due to MOHLTC (note 8)	92,992	83,057									92,992	83,057
Due to MOHLTC, Ontario Midwifery Program	240,732	55,690									240,732	55,690
Deferred revenue (note 9)	1,541,014	1,415,585									1,541,014	1,415,585
Long-term debt (note 11)	(3,069,678)	(2,450,826)	159,483	200,000							159,483	200,000
Inter-fund balance (note 10)	390,216	552,948	3,229,161	3,124,398					(473,572)		3,619,380	3,203,774
Current liabilities												
Long-term debt (note 11)	390,216	552,948	3,979,425	4,066,667					(473,572)		3,979,425	4,066,667
Fund balances												
Internally restricted	4,098	3,723	7,063,140	7,362,847	314,030	289,030	44,858	44,858	2,627,018	2,388,344	10,049,046	10,085,079
Unrestricted	4,098	3,723	7,063,140	7,362,847	314,030	289,030	44,858	44,858	2,627,018	2,388,344	10,053,144	10,088,802
	394,314	556,671	14,271,726	14,553,912	314,030	289,030	44,858	44,858	2,627,018	1,914,772	17,651,949	17,359,243

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, 2017**

	2017 \$	2016 \$
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenditure for year	(35,658)	103,246
Item not involving cash:		
Amortization	588,171	610,534
	552,513	713,780
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	32,887	(10,963)
Prepaid expenses	(8,332)	574
Due from MOHLTC - North Dumfries capital	208,032	
Accounts payable and accrued liabilities	135,717	(386,169)
Due to MOHLTC	194,977	(831,073)
Deferred revenue	125,429	108,204
	1,241,223	(405,647)
Cash flows from investment activities:		
Purchase of property and equipment - net	(514,017)	(135,784)
Change in short-term investments	128,158	(505,130)
	(385,859)	(640,914)
Cash flows from financing activities:		
Repayment of long term debt	(127,759)	(200,000)
Net increase (decrease) in cash	727,605	(1,246,561)
Cash, beginning of year	1,597,497	2,844,058
Cash, end of year	2,325,102	1,597,497



NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2017

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		Over term of lease
Equipment	20%	Declining-balance
Vehicles	10%	Straight-line
Buildings	3%	Straight-line
Construction in progress		Not amortized

(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, 2017**

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.

3. Short-Term Investments

	2017	2016
	\$	\$
Guaranteed investment certificates - interest rates at 1.5%, maturing in May 2017 and March 2018	710,009	838,167



NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2017

	2017	2016
	\$	\$
4. Accounts Receivable		
Trade	149,002	194,353
Accrued interest	2,713	554
HST recoverable	134,257	123,952
	285,972	318,859

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, 2017 and March 31, 2016 and the years then ended are as follows:

Financial Position		
Total assets	962,064	903,790
Total liabilities	499,092	500,767
Total net assets	462,972	403,023
	962,064	903,790
Results of Operations		
Total revenue	60,000	60,000
Total expenditures	(51)	(2,549)
Excess of revenue over expenditures	59,949	57,451

During the fiscal year the Organization was charged land lease costs by 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. At March 31, 2017, approximately \$270,000 is payable to LCDC and is included in accounts payable and accrued liabilities.

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, 2017**

	2017 \$	2016 \$
7. Property and Equipment		
Cost - Cambridge		
Computer hardware	477,574	462,205
Computer software	182,361	182,361
Leasehold improvements	1,092,152	886,595
Equipment	670,151	645,807
Vehicles	62,034	62,034
Building	14,472,533	14,472,533
Construction in progress	268,746	
	17,225,551	16,711,535
Accumulated amortization		
Computer hardware	443,534	416,220
Computer software	181,925	180,224
Leasehold improvements	835,162	828,073
Equipment	403,399	339,754
Vehicles	60,310	54,107
Building	2,742,001	2,304,815
	4,666,331	4,123,193
Cost - North Dumfries		
Computer hardware	12,666	12,666
Equipment	85,285	85,285
Building	1,383,111	1,383,111
	1,481,062	1,481,062
Accumulated amortization - North Dumfries		
Computer hardware	12,666	12,666
Equipment	67,273	62,770
Building	173,439	132,910
	253,378	208,346
Net Book Value	13,786,904	13,861,058



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2017**

	2017 \$	2016 \$
8. Due to Ministry of Health and Long-Term Care (MOHLTC)		
Approved LHIN	8,528,431	7,957,612
Eligible expenses	8,474,361	7,888,551
Balance due for year	54,070	69,061
Balance, beginning of year	83,057	169,221
Recovered during year	(44,135)	(155,225)
Balance, end of year	92,992	83,057

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.

11. Long-Term Debt

TD Canada Trust term loan bearing interest at 3.25% per annum, repayable in blended monthly payments of \$24,277, maturing April 2021	4,138,908	4,266,667
Current portion due within one year	159,483	200,000
	3,979,425	4,066,667

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 five years are approximately as follows:

2018	159,483
2019	164,708
2020	170,104
2021	175,678
2022	3,468,935
	4,138,908



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2017**

12. Operating Lease Commitments

The Organization has entered into leases for premises and various equipment expiring between 2020 and 2024.

The future minimum annual lease payments over the next five years are as follows:

	\$
2018	55,517
2019	63,517
2020	60,945
2021	58,372
2022	58,372
	296,723

13. Reserve Fund Balances

Included in the reserve fund balances, are sub-funds as shown below:

	2017 \$	2016 \$
Operating Fund	4,098	3,723
Capital Fund	7,063,140	7,362,847
Operating Reserve		
General Operating Reserve	45,124	45,124
30th Anniversary Book	1,982	1,982
Reserve - Cambridge Facility	261,924	241,924
Reserve - North Dumfries Facility	5,000	
	314,030	289,030
Program Expansion reserve	44,858	44,858
Capital Reserve		
Land and building	2,623,119	2,384,445
Community Van reserve	3,899	3,899
	2,627,018	2,388,344

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.



NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2017

14. 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 2017 was \$25,555 for current service (\$20,054 in 2016). 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 2017 was \$451,541 (\$438,930 in 2016) 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.

15. 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.



NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2017

16. Commitments

The Organization has entered into a construction contract in the amount of approximately \$2,800,000 for a building expansion. Work has begun and is expected to be completed in December 2017. Financing of \$2,500,000 has been secured with TD bank at an interest rate of prime plus 1%.

17. 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.

