

LANGS FARM VILLAGE ASSOCIATION
NON-CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018



**MARCH 31, 2018
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, 2018, 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, 2018, 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 29, 2018

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

**NON-CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2018**

	Operating \$	Capital \$	Operating Reserve \$	Program Expansion \$	Capital Reserve \$	2018 \$	2017 \$
Revenue							
WW LHIN/MOHLTC funding	8,606,996	244,166				8,851,162	8,466,135
Other government funding	502,356					502,356	508,995
Grants and donations	1,288,382	1,090,706				2,379,088	1,021,965
Rental and other income	66,187	75,546				141,733	263,943
Fundraising	36,556					36,556	27,365
Program fees	40,265					40,265	36,164
Back office support fees	55,099				203,889	55,099	59,654
Administration fees					13,755	203,889	223,516
Interest	11,317					25,072	19,635
	10,607,158	1,410,418			217,644	12,235,220	10,627,372
Expenditures							
Amortization		628,658				628,658	588,171
Honorarium	746					746	580
Medical supplies	42,736					42,736	34,763
Non-recurring costs	281,722					281,722	353,000
Office and administration	323,699					323,699	323,960
Professional fees	382,136					382,136	466,465
Program expenses	444,405					444,405	427,843
Rent and utilities (note 5)	404,348					404,348	448,415
Repairs and maintenance	124,821					124,821	130,849
Salaries and benefits (note 14)	8,168,251					8,168,251	7,648,521
Special events	10,540					10,540	5,350
Staff training and travel	107,842	132,719				107,842	74,606
Interest on long-term debt		761,377				132,719	160,507
	10,291,246	761,377				11,052,623	10,663,030
Excess (deficiency) of revenue over expenditures before Midwifery TPA	315,912	649,041			217,644	1,182,597	(35,658)
Midwifery transfer payment agency							
Revenue	3,130,858					3,130,858	2,908,258
Expenditures	(2,780,155)					(2,780,155)	(2,667,526)
Amount refundable to the Ministry of Health and Long-Term Care	(350,703)					(350,703)	(240,732)
Excess (deficiency) of revenue over expenditures	315,912	649,041	NIL	NIL	217,644	1,182,597	(35,658)

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



**NON-CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2018**

	Operating \$	Capital \$	Operating Reserve \$	Program Expansion \$	Capital Reserve \$	2018 \$	2017 \$
Balance, beginning of year	4,098	7,063,140	314,030	44,858	2,627,017	10,053,143	10,088,801
Excess (deficiency) of revenue over expenditures for year	315,912	649,041			217,644	1,182,597	(35,658)
Inter-fund transfer	(315,912)				315,912		
Balance, end of year (note 13)	4,098	7,712,181	314,030	44,858	3,160,573	11,235,740	10,053,143

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



**NON-CONSOLIDATED FINANCIAL POSITION
MARCH 31, 2018**



	Operating		Capital		Operating Reserve		Program Expansion		Capital Reserve		Total	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
ASSETS												
Cash	19,650	49,202			314,030	314,030	44,858	44,858	1,107,008	1,917,009	1,485,546	2,325,099
Short-term investments (note 3)									213,006	710,009	213,006	710,009
Accounts receivable (note 4)	996,369	285,972									996,369	285,972
Prepaid expenses	80,694	59,140									80,694	59,140
Current assets	1,096,713	394,314			314,030	314,030	44,858	44,858	1,320,014	2,627,018	2,775,615	3,380,220
Due from Langs Community Development Corporation (note 5)			484,822	484,822							484,822	484,822
Property and equipment (note 7)			15,994,558	13,786,904							15,994,558	13,786,904
	1,096,713	394,314	16,479,380	14,271,726	314,030	314,030	44,858	44,858	1,320,014	2,627,018	19,254,995	17,651,946

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

**NON-CONSOLIDATED FINANCIAL POSITION
MARCH 31, 2018**

	Operating		Capital		Operating Reserve		Program Expansion		Capital Reserve		Total	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
LIABILITIES AND FUND BALANCES												
Accounts payable and accrued liabilities (notes 5 and 6)	2,448,496	1,585,156									2,448,496	1,585,156
Due to MOHLTC (note 8)	104,475	119,383									104,475	119,383
Due to MOHLTC, Ontario Midwifery Program	350,702	240,732									350,702	240,732
Deferred revenue (note 9)	1,135,210	1,514,623									1,135,210	1,514,623
Long-term debt (note 11)			164,708	159,483							164,708	159,483
Inter-fund balance (note 10)	(2,946,268)	(3,069,678)	4,786,827	3,069,678					(1,840,559)			
Current liabilities	1,092,615	390,216	4,951,535	3,229,161					(1,840,559)		4,203,591	3,619,378
Long-term debt (note 11)			3,815,664	3,979,425							3,815,664	3,979,425
	1,092,615	390,216	8,767,199	7,208,586					(1,840,559)		8,019,255	7,598,803
Fund balances												
Internally restricted			7,712,181	7,063,140	314,030	314,030	44,858	44,858	3,160,573	2,627,018	11,231,642	10,049,045
Unrestricted	4,098	4,098									4,098	4,098
	4,098	4,098	7,712,181	7,063,140	314,030	314,030	44,858	44,858	3,160,573	2,627,018	11,235,740	10,053,143
	1,096,713	394,314	16,479,380	14,271,726	314,030	314,030	44,858	44,858	1,320,014	2,627,018	19,254,995	17,651,946

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, 2018**

	2018 \$	2017 \$
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenditure for year	1,182,597	(35,658)
Item not involving cash:		
Amortization	628,658	588,171
	1,811,255	552,513
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	(710,397)	32,887
Prepaid expenses	(21,554)	(8,332)
Due from MOHLTC - North Dumfries capital		208,032
Accounts payable and accrued liabilities	863,340	135,717
Due to MOHLTC	95,062	194,977
Deferred revenue	(379,413)	125,429
	1,658,293	1,241,223
Cash flows from investment activities:		
Purchase of property and equipment - net	(2,836,313)	(514,017)
Change in short-term investments	497,003	128,158
	(2,339,310)	(385,859)
Cash flows from financing activities:		
Repayment of long term debt	(158,536)	(127,759)
Net increase (decrease) in cash	(839,553)	727,605
Cash, beginning of year	2,325,099	1,597,494
Cash, end of year	1,485,546	2,325,099



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2018**

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, 2018**

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

	2018 \$	2017 \$
Guaranteed investment certificate - interest at 1.5%, maturing in May 2018	203,006	710,009
Held with Cambridge & North Dumfries Community Foundation	10,000	
	213,006	710,009



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2018**

	2018	2017
	\$	\$
4. Accounts Receivable		
Trade	684,026	149,002
Accrued interest	2,752	2,713
HST recoverable	309,591	134,257
	996,369	285,972

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 is a registered charity that 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, 2018 and March 31, 2017 and the years then ended are as follows:

Financial Position		
Total assets	1,019,928	962,064
Total liabilities	497,418	499,092
Total net assets	522,510	462,972
	1,019,928	962,064
Results of Operations		
Total revenue	60,000	60,000
Total expenditures	(463)	(51)
Excess of revenue over expenditures	59,537	59,949

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, 2018, approximately \$330,000 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, 2018

	2018	2017
	\$	\$
7. Property and Equipment		
Cost - Cambridge		
Computer hardware	571,439	477,574
Computer software	182,361	182,361
Leasehold improvements	1,152,613	1,092,152
Equipment	773,545	670,151
Vehicles	62,034	62,034
Building	14,472,533	14,472,533
Construction in progress	2,821,015	268,746
	20,035,540	17,225,551
Accumulated amortization		
Computer hardware	480,502	443,534
Computer software	182,361	181,925
Leasehold improvements	881,903	835,162
Equipment	467,089	403,399
Vehicles	62,033	60,310
Building	3,176,178	2,742,001
	5,250,066	4,666,331
Cost - North Dumfries		
Computer hardware	12,666	12,666
Equipment	85,285	85,285
Building	1,409,434	1,383,111
	1,507,385	1,481,062
Accumulated amortization - North Dumfries		
Computer hardware	12,666	12,666
Equipment	70,876	67,273
Building	214,759	173,439
	298,301	253,378
Net Book Value	15,994,558	13,786,904



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2018**

	2018	2017
	\$	\$
8. Due to Ministry of Health and Long-Term Care (MOHLTC)		
Approved LHIN	8,892,342	8,528,431
Eligible expenses	8,877,448	8,474,361
Balance due for year	14,894	54,070
Balance, beginning of year	119,383	109,448
Recovered during year	(29,802)	(44,135)
Balance, end of year	104,475	119,383

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	3,980,372	4,138,908
Current portion due within one year	164,708	159,483
	3,815,664	3,979,425

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 four years are approximately as follows:

2019	164,708
2020	170,104
2021	175,678
2022	3,469,882
	3,980,372

The Organization also has access to a credit facility with TD Bank in the amount of \$2,500,000, bearing interest at prime plus 1%, to assist with capital projects. No amount was drawn on this facility at year-end.



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2018**

12. Operating Lease Commitments

The Organization has entered into leases for premises and various equipment expiring between 2019 and 2023.

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

	\$
2019	65,707
2020	65,707
2021	65,707
2022	60,817
2023	6,372
	<u>264,310</u>

13. Reserve Fund Balances

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

	2018	2017
	\$	\$
Operating Fund	4,098	4,098
Capital Fund	7,712,181	7,063,140
Operating Reserve		
General Operating Reserve	45,124	45,124
30th Anniversary Book	1,982	1,982
Reserve - Cambridge Facility	261,924	261,924
Reserve - North Dumfries Facility	5,000	5,000
	<u>314,030</u>	314,030
Program Expansion reserve	44,858	44,858
Capital Reserve		
Land and building	3,156,674	2,623,119
Community Van reserve	3,899	3,899
	<u>3,160,573</u>	2,627,018

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, 2018**

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 2018 was \$26,554 for current service (\$25,555 in 2017). 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 2018 was \$514,860 (\$451,541 in 2017) 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 year end 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, 2018

16. Subsequent Event

Subsequent to year end, the Organization donated its main building, known as the Hub@1145 Concession, as well as certain capital reserve funds to construct and maintain the building, which were raised through the Organization's own fundraising efforts, to LCDC, a related charity as described in note 5.

As part of this transfer, the Organization also transferred the building mortgage described in note 11 and the Organization will lease the building from LCDC at cost of approximately \$233,000 per year for a 10-year period beginning April 1, 2018.

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.