

LANGS FARM VILLAGE ASSOCIATION
NON-CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019



**MARCH 31, 2019
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INDEPENDENT AUDITORS' REPORT

To the Members of
Langs Farm Village Association

Opinion

We have audited the accompanying financial statements of **Langs Farm Village Association** (the Organization), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads "Graham Mathew Professional Corporation". The signature is written in a cursive, flowing style.

Cambridge, Ontario
May 28, 2019

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



NON-CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2019

	Operating \$	Capital \$	Operating Reserve \$	Program Expansion \$	Capital Reserve \$	2019 \$	2018 \$
Revenue							
WW LHIN/MOHLTC funding	9,551,494	49,161				9,600,655	8,851,162
Other government funding	521,482					521,482	502,356
Grants and donations	1,035,024	210,185				1,245,209	2,379,088
Rental and other income	183,548					183,548	141,733
Fundraising	7,154	21,079				28,233	36,556
Program fees	54,159					54,159	40,265
Back office support fees	50,017					50,017	55,099
Administration fees	80,331				125,209	205,540	203,889
Interest	16,348				16,095	32,443	25,072
	11,499,557	280,425			141,304	11,921,286	12,235,220
Expenditures							
Amortization		186,763				186,763	628,658
Honorarium	1,015					1,015	746
Medical supplies	36,306					36,306	42,736
Non-recurring costs	408,500					408,500	281,722
Office and administration	341,822					341,822	323,699
Professional fees	371,482					371,482	382,136
Program expenses	629,674	6,430				636,104	444,405
Rent and utilities (note 5 and 12)	639,602					639,602	404,348
Repairs and maintenance	156,523					156,523	124,821
Salaries and benefits (note 14)	8,801,851					8,801,851	8,168,251
Special events	15,727					15,727	10,540
Staff training and travel	94,275					94,275	107,842
Interest on long-term debt	1,429					1,429	132,719
	11,498,206	193,193				11,691,399	11,052,623
Excess of revenue over expenditures before Midwifery TPA	1,351	87,232			141,304	229,887	1,182,597
Midwifery transfer payment agency							
Revenue	3,031,864					3,031,864	3,130,858
Expenditures	(2,678,531)					(2,678,531)	(2,780,155)
Amount refundable to the Ministry of Health and Long-Term Care	(353,333)					(353,333)	(350,703)
Excess of revenue over expenditures	1,351	87,232	NIL	NIL	141,304	229,887	1,182,597

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



**NON-CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2019**

	Operating \$	Capital \$	Operating Reserve \$	Program Expansion \$	Capital Reserve \$	2019 \$	2018 \$
Balance, beginning of year	4,098	7,712,181	314,030	44,858	3,160,573	11,235,740	10,053,143
Excess of revenue over expenditures for year	1,351	87,232			141,304	229,887	1,182,597
Inter-fund transfer		(213,301)			213,301		
Transfer of building (note 7)		(6,513,548)			(3,147,899)	(9,661,447)	
Balance, end of year (note 13)	5,449	1,072,564	314,030	44,858	367,279	1,804,180	11,235,740

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



**NON-CONSOLIDATED FINANCIAL POSITION
MARCH 31, 2019**

	Operating		Capital		Operating Reserve		Program Expansion		Capital Reserve		Total	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
ASSETS												
Cash	1,141,482	19,650			314,030	314,030	44,858	44,858	357,279	1,107,014	1,857,649	1,485,552
Short-term investments (note 3)									10,000	213,000	10,000	213,000
Accounts receivable (note 4)	613,782	996,369									613,782	996,369
Prepaid expenses	48,704	80,694									48,704	80,694
Current assets	1,803,968	1,096,713			314,030	314,030	44,858	44,858	367,279	1,320,014	2,530,135	2,775,615
Due from Langs Community Development Corporation (note 5)			641,564	484,822							641,564	484,822
Property and equipment (note 7)			1,767,275	15,994,558							1,767,275	15,994,558
	1,803,968	1,096,713	2,408,839	16,479,380	314,030	314,030	44,858	44,858	367,279	1,320,014	4,938,974	19,254,995

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



**NON-CONSOLIDATED FINANCIAL POSITION
MARCH 31, 2019**

	Operating		Capital		Operating Reserve		Program Expansion		Capital Reserve		Total	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
LIABILITIES AND FUND BALANCES												
Accounts payable and accrued liabilities (notes 5 and 6)	1,971,291	2,793,674									1,971,291	2,793,674
Due to MOHLTC (note 8)	240,845	104,475									240,845	104,475
Due to MOHLTC, Ontario Midwifery Program	3,333	350,702									3,333	350,702
Deferred revenue (note 9)	919,325	790,032									919,325	790,032
Long-term debt (note 11)				164,708								164,708
Inter-fund balance (note 10)	(1,336,275)	(2,946,268)	1,336,275	4,786,827					(1,840,559)			
Current liabilities	1,798,519	1,092,615	1,336,275	4,951,535					(1,840,559)		3,134,794	4,203,591
Long-term debt (note 11)				3,815,664								3,815,664
	1,798,519	1,092,615	1,336,275	8,767,199					(1,840,559)		3,134,794	8,019,255
Fund balances												
Internally restricted			1,072,564	7,712,181	314,030	314,030	44,858	44,858	367,279	3,160,573	1,798,731	11,231,642
Unrestricted	5,449	4,098									5,449	4,098
	5,449	4,098	1,072,564	7,712,181	314,030	314,030	44,858	44,858	367,279	3,160,573	1,804,180	11,235,740
	1,803,968	1,096,713	2,408,839	16,479,380	314,030	314,030	44,858	44,858	367,279	1,320,014	4,938,974	19,254,995

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, 2019**

	2019 \$	2018 \$
Cash flows from operating activities:		
Excess of revenue over expenditure for year	229,887	1,182,597
Item not involving cash:		
Amortization	186,763	628,658
	416,650	1,811,255
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	382,587	(710,397)
Prepaid expenses	31,990	(21,554)
Accounts payable and accrued liabilities	(822,383)	1,208,518
Due to MOHLTC	(210,999)	95,062
Deferred revenue	129,293	(724,591)
	(72,862)	1,658,293
Cash flows from investment activities:		
Purchase of property and equipment - net	(76,849)	(2,836,313)
Change in short-term investments	203,000	497,009
Due from Langs Community Development Corporation	(156,743)	
	(30,592)	(2,339,304)
Cash flows from financing activities:		
Transfer of building to LCDC	14,117,370	
Transfer of reserve funds	(9,661,447)	
Transfer/repayment of long term debt	(3,980,372)	(158,536)
	475,551	(158,536)
Net increase (decrease) in cash	372,097	(839,547)
Cash, beginning of year	1,485,552	2,325,099
Cash, end of year	1,857,649	1,485,552

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



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2019**

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, 2019**

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

	2019 \$	2018 \$
Guaranteed investment certificate - interest at 1.5%, matured in May 2018		203,000
Held with Cambridge & North Dumfries Community Foundation	10,000	10,000
	10,000	213,000



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2019**

	2019 \$	2018 \$
4. Accounts Receivable		
Trade	391,862	684,026
Accrued interest		2,752
HST recoverable	221,920	309,591
	613,782	996,369

5. Due from Langs Community Development Corporation

Langs Farm Village Association (the "Organization") controls Langs Community Development Corporation ("LCDC"). LCDC is a registered charity 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, 2019 and March 31, 2018 and the years then ended are as follows:

Financial Position		
Total assets	15,029,247	1,019,928
Total liabilities	5,206,228	497,418
Total net assets	9,823,019	522,510
	15,029,247	1,019,928
Results of Operations		
Total revenue	293,354	60,000
Total expenditures	(654,291)	(463)
Excess (deficiency) of revenue over expenditures	(360,937)	59,537

During the fiscal year the Organization was charged lease costs by Langs Community Development Corporation in the amount of \$267,754. The building lease expires March 31, 2028. 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, 2019, approximately \$219,300 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, 2019

	2019 \$	2018 \$
7. Property and Equipment		
Cost - Cambridge		
Computer hardware	617,179	571,439
Computer software	182,361	182,361
Leasehold improvements	1,168,953	1,152,613
Equipment	788,315	773,545
Vehicles	62,034	62,034
Building		14,472,533
Construction in progress		2,821,015
	2,818,842	20,035,540
Accumulated amortization		
Computer hardware	480,502	480,502
Computer software	182,361	182,361
Leasehold improvements	913,700	881,903
Equipment	529,857	467,089
Vehicles	62,033	62,033
Building		3,176,178
	2,168,453	5,250,066
Cost - North Dumfries		
Computer hardware	12,666	12,666
Equipment	85,285	85,285
Building	1,409,434	1,409,434
	1,507,385	1,507,385
Accumulated amortization - North Dumfries		
Computer hardware	61,058	12,666
Equipment	73,758	70,876
Building	255,683	214,759
	390,499	298,301
Net Book Value	1,767,275	15,994,558

During the year, 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. The Organization now leases the building from LCDC at cost of approximately \$268,000 per year for a 10-year period beginning April 1, 2018.



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2019**

	2019 \$	2018 \$
8. Due to Ministry of Health and Long-Term Care (MOHLTC)		
Approved LHIN funding	9,768,946	8,892,342
Eligible expenses	9,616,750	8,877,448
Balance due for year	152,196	14,894
Balance, beginning of year	104,475	119,383
Recovered during year	(15,826)	(29,802)
Balance, end of year	240,845	104,475

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, transferred to LCDC during the year (note 7)		3,980,372
Current portion due within one year		164,708
	NIL	3,815,664

12. Operating Lease Commitments

The Organization has entered into leases for premises and various equipment expiring between 2019 and 2028.

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

2020	330,157
2021	330,472
2022	325,927
2023	271,539
2024	268,386
	1,526,481



**NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2019**

	2019 \$	2018 \$
13. Reserve Fund Balances		
Included in the reserve fund balances, are sub-funds as shown below:		
Operating Fund	5,449	4,098
Capital Fund	1,072,564	7,712,181
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
	314,030	314,030
Program Expansion reserve	44,858	44,858
Capital Reserve		
Land and building	363,380	3,156,674
Community Van reserve	3,899	3,899
	367,279	3,160,573

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 2019 was \$43,373 for current service (\$26,554 in 2018). 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 2019 was \$468,267 (\$514,860 in 2018) 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.



NON-CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2019

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.

16. Guarantee

The Organization has guaranteed the bank debt of Langs Community Development Corporation. At March 31, 2019 the outstanding debt was approximately \$4,561,000.

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.