

# **Lutherwood**

Financial Statements  
**March 31, 2016**



June 16, 2016

## **Independent Auditor's Report**

**To the Board of Governors of  
Lutherwood**

We have audited the accompanying financial statements of Lutherwood, which comprise the statement of financial position as at March 31, 2016 and the statements of changes in net assets, operations, and cash flows for the year then ended, and the related notes, which comprise 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 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.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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.

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\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lutherwood 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.



*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

**Lutherwood**  
**Statement of Financial Position**  
**As at March 31, 2016**

	2016 \$	2015 \$
<b>Assets</b> (notes 5 and 12)		
<b>Current assets</b>		
Cash and cash equivalents	2,623,457	1,232,675
Accounts receivable	1,446,341	1,299,279
Inventory	25,548	26,679
Prepaid expenses	173,688	136,471
	<u>4,269,034</u>	<u>2,695,104</u>
<b>Property, plant and equipment</b> (note 3)	<u>23,271,677</u>	<u>24,035,928</u>
	<u>27,540,711</u>	<u>26,731,032</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	2,985,429	2,263,939
Deferred revenue (note 4)	1,675,916	1,345,886
Long-term debt - current portion (note 5)	389,180	411,140
	<u>5,050,525</u>	<u>4,020,965</u>
<b>Long-term debt</b> (note 5)	15,759,045	16,148,225
<b>Deferred contributions</b> (note 6)	<u>7,334,100</u>	<u>7,606,664</u>
	<u>28,143,670</u>	<u>27,775,854</u>
<b>Net assets</b>		
Net assets invested in property, plant and equipment	(336,247)	(157,065)
Net assets internally restricted	275,650	274,913
Unrestricted net assets	<u>(542,362)</u>	<u>(1,162,670)</u>
	<u>(602,959)</u>	<u>(1,044,822)</u>
	<u>27,540,711</u>	<u>26,731,032</u>
Commitments (note 8)		

Approved by the Board of Governors


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The accompanying notes are an integral part of these financial statements.

## Lutherwood

### Statement of Changes in Net Assets

For the year ended March 31, 2016

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	Invested in property, plant and equipment \$	Internally restricted \$	Unrestricted \$	Total \$
<b>Fund balances - March 31, 2014</b>	(369,944)	314,067	(978,600)	(1,034,477)
Excess of (expenses over revenues) revenues over expenses	(705,710)	(39,154)	734,519	(10,345)
Investment in property, plant and equipment	534,557	-	(534,557)	-
Deferred contributions	(87,385)	-	87,385	-
Repayment of long-term debt	311,620	-	(311,620)	-
Change in working capital related to property, plant and equipment	159,797	-	(159,797)	-
<b>Fund balances - March 31, 2015</b>	(157,065)	274,913	(1,162,670)	(1,044,822)
Excess of revenues over expenses (expenses over revenues)	(784,735)	737	1,225,861	441,863
Investment in property, plant and equipment	539,118	-	(539,118)	-
Deferred contributions	(246,070)	-	246,070	-
Repayment of long-term debt	411,140	-	(411,140)	-
Change in working capital related to property, plant and equipment	(98,635)	-	98,635	-
<b>Fund balances - March 31, 2016</b>	(336,247)	275,650	(542,362)	(602,959)

The accompanying notes are an integral part of these financial statements.

# Lutherwood

## Statement of Operations

For the year ended March 31, 2016

	2016	2015
	\$	\$
<b>Revenues</b>		
Ministry of Community and Social Services and Ministry of Children's Services	5,656,040	5,137,344
Ministry of Children and Youth Services	1,998,045	2,013,783
Ministry of Training, Colleges and Universities	6,086,535	6,008,098
Service Canada	275,325	379,642
Regional Municipality of Waterloo	2,907,500	2,001,445
Ministry of Health and Long-term Care	1,207,363	1,195,299
Ministry of the Attorney General	347,096	337,755
Ministry of Citizenship and Immigration / Citizenship and Immigration Canada	209,512	215,820
Government funding-other	86,153	187,102
Seniors' Services	7,696,087	7,304,726
Lutherwood Child and Family Foundation	1,256,615	1,182,359
Fee for service	1,783,372	1,872,282
Amortization of deferred contributions	518,634	571,880
Miscellaneous	188,016	149,520
	<u>30,216,293</u>	<u>28,557,055</u>
<b>Expenses</b>		
Salaries and benefits	17,683,477	17,011,368
Cost of goods/services	513,854	496,693
Participant costs	2,543,410	2,686,823
Travel	175,620	171,253
Staff development	160,412	182,269
Building occupancy	2,171,646	2,136,028
Purchased services	2,156,609	1,687,937
Program expenses	1,279,982	1,199,027
Professional services	170,932	157,087
Advertising and promotion	161,521	164,850
Office expenses	603,528	539,380
Interest	850,070	867,138
Amortization of property, plant and equipment	1,303,369	1,267,547
	<u>29,774,430</u>	<u>28,567,400</u>
<b>Excess of revenues over expenses (expenses over revenues)</b>	<u>441,863</u>	<u>(10,345)</u>

The accompanying notes are an integral part of these financial statements.

# Lutherwood

## Statement of Cash Flows

For the year ended March 31, 2016

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	2016 \$	2015 \$
<b>Cash and cash equivalents provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenues over expenses (expenses over revenues)	441,863	(10,345)
Amortization of property, plant and equipment	1,303,369	1,267,547
Amortization of deferred contributions related to property, plant and equipment	(518,634)	(571,880)
Loss on disposal of property, plant and equipment	-	10,043
	<u>1,226,598</u>	<u>695,365</u>
Net change in non-cash working capital	<u>700,276</u>	<u>(295,451)</u>
	<u>1,926,874</u>	<u>399,914</u>
<b>Investing activities</b>		
Cash purchases of property, plant and equipment	<u>(371,022)</u>	<u>(507,496)</u>
<b>Financing activities</b>		
Repayment of long-term debt	(411,140)	(311,620)
Deferred contributions received	<u>246,070</u>	<u>87,385</u>
	<u>(165,070)</u>	<u>(224,235)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	1,390,782	(331,817)
<b>Cash and cash equivalents - Beginning of year</b>	<u>1,232,675</u>	<u>1,564,492</u>
<b>Cash and cash equivalents - End of year</b>	<u>2,623,457</u>	<u>1,232,675</u>
<b>Supplemental disclosure</b>		
Interest paid	850,070	867,138

The accompanying notes are an integral part of these financial statements.

# Lutherwood

## Notes to Financial Statements

March 31, 2016

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### 1 Purpose of the organization

Lutherwood, (the “Organization”) founded in the Christian community, is dedicated to building better futures with individuals, families and communities.

Lutherwood is incorporated without share capital under the Laws of Ontario, as a not-for-profit organization and is a registered charity under the Income Tax Act.

### 2 Basis of accounting

#### Accounting principles

The Organization prepares its financial statements in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”).

Lutherwood follows the deferral method of accounting for contributions towards property, plant and equipment.

#### Fund accounting

The internally restricted fund represents monies set aside to provide innovation, flexibility and stability in service delivery, both currently and in the future. In addition, this fund is to ensure the retention of highly skilled staff, to supplement employee benefit costs, to provide assistance with renovation costs of agency facilities, to assist in the replacement of equipment required in the delivery of service to clients, and for other purposes as determined from time to time by the Board of Governors.

#### Revenue recognition

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collectability is reasonably assured.

Lutherwood recognizes revenue when it is realized or realizable and earned. Lutherwood considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the product has been delivered or the services have been provided to the customer, the sales price is fixed or determinable and collectability is reasonably assured.

#### Donated goods and services

Donated goods are recorded as in kind revenue in the financial statements as the fair market value or the gift received. Donated volunteer time and labour is not recognized in the financial statements because of the difficulty in determining the fair market value.



# Lutherwood

## Notes to Financial Statements

March 31, 2016

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### Cash and cash equivalents

Cash and cash equivalents include cash and cashable guaranteed investment certificates.

### Property, plant and equipment

Purchased property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Buildings	40 years
Building improvements	10 - 20 years
Swimming pool	40 years
Equipment and furniture	3-10 years
Pavement	20 years
Leasehold improvements	5 years
Automotive equipment	5 years

The Organization does not take amortization on its fine art collection.

A policy has been adopted whereby costs and accumulated depreciation relating to assets no longer in use and equipment completely written off will be removed from the accounting records.

### Measurement uncertainty

The preparation of financial statements in conformity with accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

### Financial instruments

The Organization's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and long-term debt.

The Organization records its financial instruments initially at fair value and subsequently they are recorded at amortized cost.

The aggregate amount of financial instruments recorded at amortized cost is a liability of \$15,063,856 (2015 - \$16,291,350).

Financial assets are tested for impairment at the end of each reporting period where there are indications that the assets may be impaired. Any excess of the carrying amount of the financial assets over the recoverable amount is recorded as an impairment charge. A previously recognized impairment charge may be reversed in future periods.

# Lutherwood

## Notes to Financial Statements

March 31, 2016

### 3 Property, plant and equipment

	<b>2016</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Land	808,052	-	808,052
Buildings	26,593,871	8,252,932	18,340,939
Building improvements	2,930,295	618,290	2,312,005
Swimming pool	170,640	98,991	71,649
Equipment and furniture	2,880,263	1,537,489	1,342,774
Pavement	238,233	92,358	145,875
Leasehold improvements	2,055,968	1,881,374	174,594
Automotive equipment	61,140	46,726	14,414
Fine Art	61,375	-	61,375
	<u>35,799,837</u>	<u>12,528,160</u>	<u>23,271,677</u>

	<b>2015</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Land	808,052	-	808,052
Buildings	26,593,870	7,605,593	18,988,277
Building improvements	2,865,437	434,785	2,430,652
Swimming pool	194,062	120,174	73,888
Equipment and furniture	3,711,515	2,348,750	1,362,765
Pavement	238,233	82,028	156,205
Leasehold improvements	1,952,390	1,809,935	142,455
Automotive equipment	47,562	35,303	12,259
Fine Art	61,375	-	61,375
	<u>36,472,496</u>	<u>12,436,568</u>	<u>24,035,928</u>

# Lutherwood

## Notes to Financial Statements

March 31, 2016

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### 4 Deferred revenue

Deferred revenue is operating funding received in the current year that relate to the subsequent years. Changes in the deferred revenue balance are as follows:

	2016 \$	2015 \$
Balance - Beginning of year	1,345,886	993,061
Less: Amount recognized as revenue in the year	(612,212)	(280,018)
Add: Amount received related to the following year	942,242	632,843
Balance - End of year	<u>1,675,916</u>	<u>1,345,886</u>

### 5 Long-term debt

	2016 \$	2015 \$
First charge/mortgage on land at 141 Father David Bauer Drive in favour of First National Financial Corporation due May 1, 2040, interest calculated at 5.465%, monthly payments of \$80,888 including principal and interest	13,081,454	13,337,654
Unsecured promissory note in favour of Lutherwood Child and Family Foundation due March 31, 2019, amortized over 22 years, interest calculated at 4%, monthly payments of \$19,941 including principal and interest	3,066,771	3,180,909
Unsecured promissory note in favour of Lutherwood Child and Family Foundation due July 3, 2015, interest calculated at 4%, monthly payments of \$13,692 including principal and interest	-	40,802
	<u>16,148,225</u>	<u>16,559,365</u>
Less: Current portion	389,180	411,140
	<u>15,759,045</u>	<u>16,148,225</u>

# Lutherwood

## Notes to Financial Statements

March 31, 2016

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Lutherwood has established a first charge/mortgage to finance construction of the building at 141 Father David Bauer Drive (the Property). The security for this facility shall cover all assets and revenues relating to the Property including:

- a) A registered first mortgage;
- b) An assignment of rents;
- c) A general security agreement over all inventory, equipment, vehicles, book debts, and other amounts of any nature or kind arising from the Property;
- d) Guarantee(s) of Lutherwood Child and Family Foundation on a joint and several basis; and
- e) An assignment of ancillary agreements.

Principal repayments required in each of the next five fiscal years and thereafter ending March 31 are:

	\$
2017	389,180
2018	408,999
2019	429,844
2020	451,771
2021	474,835
Thereafter	<u>13,993,596</u>
	<u>16,148,225</u>

### 6 Deferred contributions related to property, plant and equipment

Deferred contributions related to property, plant and equipment fund include the unamortized portions of contributed property, plant and equipment and restricted contributions with which Lutherwood's property, plant and equipment were originally purchased.

**Lutherwood**  
Notes to Financial Statements  
**March 31, 2016**

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The changes for the year in the deferred contributions balance are as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Balance - Beginning of year	7,606,664	8,091,159
Amounts received:		
Ministry of Community and Social Services and Ministry of Children's Services	128,200	30,212
Youth Justice	23,000	6,266
Lutherwood Child and Family Foundation	36,038	50,907
Ministry of Training, Colleges and Universities	58,832	-
Amounts amortized to revenue	<u>(518,634)</u>	<u>(571,880)</u>
Balance - End of year	<u>7,334,100</u>	<u>7,606,664</u>

**7 Government remittances**

At March 31, 2016 the Organization has outstanding government remittances payable including amounts for federal and provincial sales tax, payroll taxes, health taxes, and workers' safety insurance premiums of \$165,779 (2015 - \$74,368). None of these remittances are in arrears.

**8 Commitments**

The following is a schedule of future minimum lease payments for facility rentals and computer equipment:

	<b>\$</b>
2017	681,084
2018	137,242
2019	76,914
2020	<u>37,147</u>
	<u>932,387</u>

# Lutherwood

## Notes to Financial Statements

March 31, 2016

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### 9 Related party transactions

Included in accounts receivable is \$2,474 (2015 - \$250,268) owing from Lutherwood Child and Family Foundation, and \$93,073 (2015 - \$126,058) owing from Lutheran Retirement Services (LRS). Included in accounts payable is \$208,631 (2015 - \$319) owing to Lutherwood Child and Family Foundation. LRS uses the services of Lutherwood to provide premiere services to seniors. The cost of these services amounted to \$209,965 (2015 - \$208,096). In addition, LRS paid construction management fees of \$17,443 (2015 - \$25,327) and charged premise rent of \$6,770 (2015 - \$5,619) to Lutherwood.

### 10 Economic dependence

Lutherwood relies on funding from provincial and federal ministries to operate a significant number of its programs. Consequently, Lutherwood's ability to continue operating these programs is subject to variability inherent in the political system.

### 11 Financial instruments

#### Credit risk

The Organization is exposed to credit risk from its cash and cash equivalents and accounts receivable. Management considers its exposure to credit risk attributable to cash and cash equivalents to be low as they are held in major financial institutions. Accounts receivable bear low risk as they are amounts from government agencies.

#### Interest rate risk

Certain credit facilities bear interest at variable rates. Consequently, Lutherwood is exposed to interest rate risk associated with these liabilities.

### 12 Credit facilities

Lutherwood has established an operating line of credit of up to \$1,000,000 bearing interest at prime due on demand. This facility is secured by the following:

- a) All of Lutherwood's present personal property and all personal property acquired in the future.
- b) Debenture security for \$2,500,000 conveying a first fixed charge over the property at 285 Benjamin Road, Waterloo plus acknowledged assignment of fire and other perils insurance, with loss payable to the lender.

At March 31, 2016, nil (2015 - \$nil) of this credit facility has been utilized.



