

# **Lutherwood**

Financial Statements  
**March 31, 2019**



## *Independent auditor's report*

To the Board of Governors of Lutherwood

---

### *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lutherwood (the Organization) as at March 31, 2019 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.

#### **What we have audited**

The Organization's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- the statement of changes in net assets for the year then ended;
- the statement of operations for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

---

### *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 *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

---

### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the 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.

---

*PricewaterhouseCoopers LLP*  
95 King Street South, Suite 201, Waterloo, Ontario, Canada N2J 5A2  
T: +1 519 570 5700, F: +1 519 570 5730

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



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 management 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.

---

### *Auditor's 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 auditor's 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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment 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 auditor's 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 auditor's 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.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario  
June 17, 2019

**Lutherwood**  
**Statement of Financial Position**  
**As at March 31, 2019**

---

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b> (notes 5 and 12)		
<b>Current assets</b>		
Cash and cash equivalents	3,967,282	3,755,988
Accounts receivable (note 9)	2,697,371	2,026,330
Inventory	46,325	29,097
Loan receivable from Lutherwood Child and Family Foundation (note 3)	1,515,935	-
Prepaid expenses	375,181	257,548
	<hr/>	<hr/>
	8,602,094	6,068,963
<b>Property, plant and equipment</b> (note 3)	14,970,553	22,409,387
	<hr/>	<hr/>
	23,572,647	28,478,350
	<hr/>	<hr/>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 7 and 9)	3,582,134	3,698,174
Deferred revenue (note 4)	1,634,058	1,535,662
Long-term debt – current portion (note 5)	505,457	460,094
	<hr/>	<hr/>
	5,721,649	5,693,930
<b>Long-term debt</b> (note 5)	14,727,640	15,161,686
<b>Deferred contributions</b> (note 6)	462,141	7,070,605
	<hr/>	<hr/>
	20,911,430	27,926,221
	<hr/>	<hr/>
<b>Net assets</b>		
Net assets invested in property, plant and equipment	181,879	(399,639)
Net assets internally restricted	595,019	572,033
Net assets externally restricted	310,222	260,210
Unrestricted net assets	1,574,097	119,525
	<hr/>	<hr/>
	2,661,217	552,129
	<hr/>	<hr/>
	23,572,647	28,478,350
	<hr/>	<hr/>
<b>Commitments</b> (note 8)		

**Approved by the Board of Governors**

\_\_\_\_\_ Governor \_\_\_\_\_ Governor

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

# Lutherwood

## Statement of Changes in Net Assets

For the year ended March 31, 2019

---

	Invested in property, plant and equipment \$	Internally restricted \$	Externally restricted \$	Unrestricted \$	Total \$
<b>Fund balances – March 31, 2017</b>	(579,764)	990,964	210,210	(963,537)	(342,127)
Excess of revenues over expenses (expenses over revenues)	(759,470)	(418,931)	50,000	2,022,657	894,256
Investment in property, plant and equipment	952,525	-	-	(952,525)	-
Deferred contributions	(303,932)	-	-	303,932	-
Repayment of long-term debt	221,272	-	-	(221,272)	-
Change in working capital related to property, plant and equipment	69,730	-	-	(69,730)	-
<b>Fund balances – March 31, 2018</b>	<b>(399,639)</b>	<b>572,033</b>	<b>260,210</b>	<b>119,525</b>	<b>552,129</b>
Excess of revenues over expenses (expenses over revenues)	(751,369)	22,986	50,012	2,787,459	2,109,088
Proceeds on sale of assets	1,515,935	-	-	(1,515,935)	-
Gain on sale of assets	(1,001,854)	-	-	1,001,854	-
Investment in property, plant and equipment	487,755	-	-	(487,755)	-
Deferred contributions	(52,676)	-	-	52,676	-
Repayment of long-term debt	388,683	-	-	(388,683)	-
Change in working capital related to property, plant and equipment	(4,956)	-	-	4,956	-
<b>Fund balances – March 31, 2019</b>	<b>181,879</b>	<b>595,019</b>	<b>310,222</b>	<b>1,574,097</b>	<b>2,661,217</b>

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

# Lutherwood

## Statement of Operations

For the year ended March 31, 2019

---

	2019 \$	2018 \$
<b>Revenues</b>		
Ministry of Community and Social Services and Ministry of Children's Services	5,638,570	6,878,275
Ministry of Children and Youth Services	2,086,135	2,086,029
Ministry of Advanced Education and Skills Development	5,175,024	4,792,645
Service Canada	30,328	90,763
Regional Municipality of Waterloo	5,222,445	3,201,946
Ministry of Health and Long-term Care	1,301,598	1,301,194
Ministry of the Attorney General	339,368	337,755
Ministry of Citizenship and Immigration / Citizenship and Immigration Canada	464,683	298,786
Government funding-other	31,624	130,970
Seniors' Services	8,504,280	7,470,733
Lutherwood Child and Family Foundation	1,548,895	2,078,738
Fee for service	2,403,163	1,748,500
Amortization of deferred contributions	527,075	469,729
Contribution revenue (note 3)	6,134,065	-
Miscellaneous	255,808	272,177
	<hr/> 39,663,061	<hr/> 31,158,240
<b>Expenses</b>		
Salaries and benefits	20,091,855	17,864,335
Cost of goods and services	582,814	556,996
Participant costs	2,003,333	1,896,302
Travel	168,889	143,302
Staff development	209,092	255,983
Building occupancy	2,351,583	2,238,539
Purchased services	2,353,636	2,784,632
Program expenses	1,607,033	1,528,794
Professional services	203,183	210,193
Advertising and promotion	94,977	97,524
Office expenses	679,253	645,052
Interest	797,670	813,133
Amortization of property, plant and equipment	1,278,444	1,229,199
Contribution expense (note 3)	5,132,211	-
	<hr/> 37,553,973	<hr/> 30,263,984
<b>Excess of revenues over expenses</b>	<hr/> <b>2,109,088</b>	<hr/> <b>894,256</b>

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

# Lutherwood

## Statement of Cash Flows

For the year ended March 31, 2019

---

	2019 \$	2018 \$
<b>Cash and cash equivalents provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenues over expenses	2,109,088	894,256
Amortization of property, plant and equipment	1,278,444	1,229,199
Loss on disposal of property, plant and equipment	514,080	-
Amortization of deferred contributions related to property, plant and equipment	(527,075)	(469,729)
	<u>3,374,537</u>	<u>1,653,726</u>
Net change in non-cash working capital	(945,179)	478,464
	<u>2,429,358</u>	<u>2,132,190</u>
<b>Investing activities</b>		
Purchases of property, plant and equipment	(366,122)	(835,788)
Loan receivable from Lutherwood Child and Family Foundation	(1,515,935)	-
	<u>(1,882,057)</u>	<u>(835,788)</u>
<b>Financing activities</b>		
Repayment of long-term debt	(388,683)	(221,272)
Deferred contributions received	52,676	303,932
	<u>(336,007)</u>	<u>82,660</u>
<b>Increase in cash and cash equivalents</b>	211,294	1,379,062
<b>Cash and cash equivalents – Beginning of year</b>	<u>3,755,988</u>	<u>2,376,926</u>
<b>Cash and cash equivalents – End of year</b>	<u>3,967,282</u>	<u>3,755,988</u>
<b>Supplemental disclosure</b>		
Interest paid	797,670	813,133

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



# Lutherwood

## Notes to Financial Statements

March 31, 2019

---

### 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.

#### Restricted Funds

Externally Restricted Funds include a Mortgage Escrow account with First National Bank of \$310,222 (2018 – \$260,210).

Internally Restricted Funds include the following amounts:

- Capital Reserve for 141 Father David Bauer Drive of \$292,302 (2018 – \$270,055)
- Employee Welfare Reserve of \$165,144 (2018 – \$165,144)
- General Capital Reserve of \$137,573 (2018 – \$136,834)

#### 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

## Notes to Financial Statements

March 31, 2019

---

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.

### Cash and cash equivalents

Cash and cash equivalents include Membership Shares with Kindred Credit Union of \$77,258 (2018 – \$76,650) and a Guaranteed Investment Certificate with TD Canada Trust of \$13,848 (2018 – \$13,848).

### 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.

# Lutherwood

## Notes to Financial Statements

March 31, 2019

---

### Financial instruments

The Organization's financial instruments consist of cash and cash equivalents, accounts receivable, loan receivable from Lutherwood Child and Family Foundation, 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 \$10,634,643 (2018 - \$13,537,636).

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.

### 3 Property, plant and equipment

	<b>2019</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	\$	\$	\$
Land	731,250	-	731,250
Buildings	19,772,825	7,531,819	12,241,006
Building improvements	1,531,483	406,308	1,125,175
Equipment and furniture	2,331,088	1,693,078	638,010
Pavement	53,473	18,190	35,283
Leasehold improvements	1,140,513	1,004,478	136,035
Automotive equipment	66,722	64,303	2,419
Fine Art	61,375	-	61,375
	<u>25,688,729</u>	<u>10,718,176</u>	<u>14,970,553</u>

# Lutherwood

## Notes to Financial Statements

March 31, 2019

---

			<b>2018</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	9,547,529	17,046,342
Building improvements	3,874,364	1,021,129	2,853,235
Swimming pool	170,640	103,469	67,171
Equipment and furniture	3,394,675	2,155,429	1,239,246
Pavement	285,384	114,342	171,042
Leasehold improvements	1,434,895	1,277,258	157,637
Automotive equipment	66,722	61,435	5,287
Fine Art	61,375	-	61,375
	<u>36,689,978</u>	<u>14,280,591</u>	<u>22,409,387</u>

On March 29, 2019, the Organization transferred assets with a net book value of \$6,648,146 to Lutherwood Child and Family Foundation at fair value of \$7,650,000. The related deferred contributions of \$6,134,065 were recognized as contribution revenue. The Foundation has provided a loan receivable of \$1,515,935 in exchange for these assets.

#### 4 Deferred revenue

Deferred revenue includes year to date unspent or carry forward funding from the following resources:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Sunshine resident deposits	710,769	655,107
Directed donations and grants	194,775	438,176
Region of Waterloo	659,196	231,467
Ministry of Citizenship and Immigration	-	71,731
Ministry of Community and Social Service	15,995	-
Ministry of Advanced Education and Skills Development	-	45,154
Ministry of Education	-	15,785
Other	53,323	78,242
	<u>1,634,058</u>	<u>1,535,662</u>

# Lutherwood

## Notes to Financial Statements

March 31, 2019

---

### 5 Long-term debt

	2019 \$	2018 \$
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	12,224,511	12,525,691
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	2,695,690	2,824,355
Unsecured promissory note in favour of Lutherwood Child and Family Foundation due December 1, 2021, interest calculated at 4%, monthly payments of \$368 including principal and interest	11,492	15,367
Unsecured promissory note in favour of Lutherwood Child and Family Foundation due December 1, 2023, interest calculated at 4%, monthly payments of \$916 including principal and interest	47,470	56,367
Unsecured promissory note in favour of Lutherwood Child and Family Foundation due October 27, 2017, interest calculated at 4%, monthly payments of \$2,097 including principal and interest	182,523	200,000
Unsecured promissory note in favour of Lutherwood Child and Family Foundation due April 1, 2022, interest calculated at 4%, monthly payments of \$2,055 including principal and interest	71,411	-
	<hr/> 15,233,097	<hr/> 15,621,780
Less: Current portion	505,457	460,094
	<hr/> 14,727,640	<hr/> 15,161,686

# Lutherwood

## Notes to Financial Statements

March 31, 2019

---

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:

	\$
2020	505,457
2021	530,709
2022	555,837
2023	557,609
2024	584,736
Thereafter	<u>12,498,749</u>
	<u>15,233,097</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, 2019

---

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Balance – Beginning of year	7,070,605	7,236,402
Amounts received:		
Ministry of Community and Social Services and Ministry of Children’s Services	18,000	178,600
Youth Justice		
Lutherwood Child and Family Foundation	21,513	116,268
Other	13,163	-
Ministry of Advanced Education & Skills Development	-	9,064
Recognized deferred contributions on disposal of assets	(6,134,065)	-
Amounts amortized to revenue	<u>(527,075)</u>	<u>(469,729)</u>
Balance – End of year	<u>462,141</u>	<u>7,070,605</u>

**7 Government remittances**

At March 31, 2019, 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 \$216,761 (2018 – \$120,791). 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>
2020	1,257,250
2021	92,342
2022	35,328
2023	<u>8,699</u>
	<u>1,393,619</u>

# Lutherwood

## Notes to Financial Statements

March 31, 2019

---

### 9 Related party transactions

Included in accounts receivable is \$181,863 (2018 – \$151,912) owing from Lutherwood Child and Family Foundation. Included in accounts payable is \$500 (2018 – \$14,579) owing to Lutherwood Child and Family Foundation. Lutherwood Child and Family Foundation uses the services of Lutherwood to provide premiere services to seniors. The cost of these services amounted to \$631,476 (2018 – \$230,073). In addition, Lutherwood Child and Family Foundation paid construction management fees of \$1,791 (2018 – \$5,117) and charged premise rent of \$7,543 (2018 – \$7,289) to Lutherwood. Lutherwood Child and Family Foundation also purchased services from Lutherwood in the amount of \$nil (2018 – \$48,600) and received grants of \$1,548,895 (2018 – \$2,078,738) from the Foundation. In the current year, the Organization transferred certain assets to Lutherwood Child and Family Foundation, as further described in note 3.

### 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 Ministry and Municipal funding agencies.

### 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, 2019, \$nil (2018 – \$nil) of this credit facility has been utilized.