

Lutherwood

Financial Statements
March 31, 2021



Independent auditor's report

To the Board 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, 2021 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, 2021;
- 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 significant accounting policies and other explanatory information.

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

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.



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 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

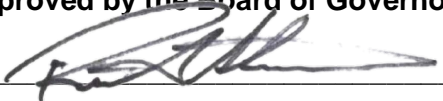

Waterloo, Ontario
June 23, 2021

Lutherwood
Statement of Financial Position
As at March 31, 2021

	2021 \$	2020 \$
Assets (note 12)		
Current assets		
Cash and cash equivalents	6,371,076	2,212,445
Short-term investments	705,000	1,738,848
Accounts receivable (note 9)	1,846,989	2,478,144
Inventory	104,947	43,160
Loan receivable from Lutherwood Child and Family Foundation (note 9)	16,478	15,833
Prepaid expenses	372,446	317,458
	<hr/>	<hr/>
	9,416,936	6,805,888
Loan receivable from Lutherwood Child and Family Foundation (note 9)	1,479,763	1,496,241
Property, plant and equipment (note 3)	1,255,690	966,160
	<hr/>	<hr/>
	12,152,389	9,268,289
	<hr/>	<hr/>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 7 and 9)	4,291,261	2,687,575
Deferred revenue (note 4)	3,507,735	2,576,095
Long-term debt – current portion (note 5)	37,339	36,943
	<hr/>	<hr/>
	7,836,335	5,300,613
Long-term debt (note 5)	20,593	57,932
Deferred contributions (note 6)	842,026	564,659
	<hr/>	<hr/>
	8,698,954	5,923,204
Net assets		
Net assets invested in property, plant and equipment	349,671	402,268
Net assets internally restricted	302,870	417,764
Unrestricted net assets	2,800,894	2,525,053
	<hr/>	<hr/>
	3,453,435	3,345,085
	<hr/>	<hr/>
	12,152,389	9,268,289
	<hr/>	<hr/>

Commitments (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, 2021

	Invested in property, plant and equipment \$	Internally restricted \$	Externally restricted \$	Unrestricted \$	Total \$
Fund balances – March 31, 2019	181,879	595,019	310,222	1,574,097	2,661,217
Excess of revenues over expenses (expenses over revenues)	(313,721)	(177,255)	(310,222)	1,485,066	683,868
Proceeds on sale of assets (note 9)	4,388,281	-	-	(4,388,281)	-
Gain on sale of assets	(5,288,640)	-	-	5,288,640	-
Investment in property, plant and equipment	461,359	-	-	(461,359)	-
Asset transfer (note 9)	(14,099,308)	-	-	14,099,308	-
Deferred contributions	(167,400)	-	-	167,400	-
Repayment of long-term debt	15,138,222	-	-	(15,138,222)	-
Change in working capital related to property, plant and equipment	101,596	-	-	(101,596)	-
Fund balances – March 31, 2020	402,268	417,764	-	2,525,053	3,345,085
Excess of revenues over expenses (expenses over revenues)	(178,252)	(114,894)	-	401,496	108,350
Investment in property, plant and equipment	538,433	-	-	(538,433)	-
Deferred contributions	(348,018)	-	-	348,018	-
Repayment of long-term debt	36,943	-	-	(36,943)	-
Change in working capital related to property, plant and equipment	(101,703)	-	-	101,703	-
Fund balances – March 31, 2021	349,671	302,870	-	2,800,894	3,453,435

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

Lutherwood

Statement of Operations

For the year ended March 31, 2021

	2021 \$	2020 \$
Revenues		
Ministry of Health, Children and Youth Mental Health	7,126,949	5,862,329
Ministry of Children Community and Social Services	2,903,523	2,084,222
Ministry of Seniors and Accessibility	308,012	-
Ministry of Labour, Training and Skills Development	4,040,742	4,395,189
Service Canada	63,032	60,842
Regional Municipality of Waterloo	5,265,984	5,818,958
Ministry of Health and Long-term Care	1,346,298	1,322,798
Ministry of the Attorney General	402,235	337,755
Ministry of Citizenship and Immigration / Citizenship and Immigration Canada	375,000	359,659
Seniors' Services	8,724,002	8,661,099
Lutherwood Child and Family Foundation (note 9)	2,013,242	1,884,749
Fee for service	1,772,199	2,765,889
Amortization of deferred contributions	70,651	52,723
Contribution revenue (note 9)	-	5,288,533
Miscellaneous	121,905	240,507
	<hr/> 34,533,774	<hr/> 39,135,252
Expenses		
Salaries and benefits	22,259,533	21,987,088
Cost of goods and services	515,902	559,074
Participant costs	1,218,580	1,643,139
Travel	42,082	162,841
Staff development	156,683	151,546
Building occupancy	4,025,922	3,815,794
Purchased services	1,404,105	2,406,769
Program expenses	2,149,942	1,645,889
Professional services	219,840	194,046
Advertising and promotion	69,691	67,536
Office expenses	546,253	604,204
COVID-19 expenditures	1,556,136	-
Interest	11,852	150,954
Amortization of property, plant and equipment	248,903	366,444
Contribution expense (note 9)	-	4,696,060
	<hr/> 34,425,424	<hr/> 38,451,384
Excess of revenues over expenses	<hr/> 108,350	<hr/> 683,868

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

Lutherwood
Statement of Cash Flows
For the year ended March 31, 2021

	2021 \$	2020 \$
Cash and cash equivalents provided by (used in)		
Operating activities		
Excess of revenues over expenses	108,350	683,868
Amortization of property, plant and equipment	248,903	366,444
Loss on disposal of property, plant and equipment and deferred contributions	-	(900,252)
Amortization of deferred contributions related to property, plant and equipment	(70,651)	(52,723)
	<u>286,602</u>	<u>97,337</u>
Net change in non-cash working capital	<u>2,927,906</u>	<u>347,690</u>
	<u>3,214,508</u>	<u>445,027</u>
Investing activities		
Purchases of property, plant and equipment	(416,633)	(481,456)
Redemption (purchase) of short-term investments	1,033,848	(122,098)
Loan receivable from Lutherwood Child and Family Foundation	15,833	3,861
	<u>633,048</u>	<u>(599,693)</u>
Financing activities		
Repayment of long-term debt	(36,943)	(150,821)
Deferred contributions received	348,018	167,400
	<u>311,075</u>	<u>(16,579)</u>
Increase (decrease) in cash and cash equivalents	4,158,631	(138,087)
Cash and cash equivalents – Beginning of year	<u>2,212,445</u>	<u>2,350,532</u>
Cash and cash equivalents – End of year	<u>6,371,076</u>	<u>2,212,445</u>
Supplemental disclosure		
Interest paid	11,852	150,954

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

Lutherwood

Notes to Financial Statements

March 31, 2021

1 Purpose of the Organization

Lutherwood (the Organization) was founded in the Christian community to inspire hope and strengthen lives by offering high quality mental health, employment and housing services.

The Organization 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 (Canada).

2 Basis of accounting

Accounting principles

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

The Organization 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 \$nil (2020 – \$nil). The balance of the mortgage escrow account was transferred to Lutherwood Child and Family Foundation (the Foundation) to accompany the asset transfer noted in note 9.

Internally restricted funds include the following amounts:

- Capital reserve for 141 Father David Bauer Drive of \$nil (2020 – \$115,047);
- Employee welfare reserve of \$165,144 (2020 – \$165,144); and
- General capital reserve of \$137,726 (2020 – \$137,573).

Lutherwood

Notes to Financial Statements

March 31, 2021

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 collectibility is reasonably assured.

The Organization recognizes revenue when it is realized or realizable and earned. The Organization 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 collectibility 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 \$78,371 (2020 – \$77,895).

Short-term investments

Short-term investments consist of a guaranteed investment certificate (GIC) with a maturity of six months. Interest on this GIC is 0.56%.

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:

Building improvements	10 – 20 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 amortization relating to assets no longer in use and equipment completely written off will be removed from the accounting records.

Lutherwood

Notes to Financial Statements

March 31, 2021

Measurement uncertainty

The preparation of financial statements in conformity with ASNPO 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, short-term investments, accounts receivable, loan receivable from the 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 an asset of \$6,081,288 (2020 – \$5,159,061).

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.

Significant event

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact local, regional, national and global economies. The extent to which COVID-19 impacts the Organization's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors that management is not currently able to predict. The Organization receives significant funding from provincial and federal ministries, for which to date the funders have confirmed funding moving forward and have allowed some flexibility in the costs incurred, targets to be maintained and traditional reporting deadlines. Other potential impacts include, but are not limited to, additional costs for responding to COVID-19 including personal protective equipment required to facilitate the programs and services the Organization provides, potential shortages of personnel and additional program costs to serve clients virtually. In addition to this, there are potential impacts to the seniors population and occupancy rates, which would have a potential impact on the senior services revenues earned by the Organization. Management believes the Organization is taking appropriate actions to respond to the pandemic; however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available for issuance.

Lutherwood

Notes to Financial Statements

March 31, 2021

3 Property, plant and equipment

	2021		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Building improvements	673,343	92,870	580,473
Equipment and furniture	2,143,906	1,557,445	586,461
Pavement	19,339	10,026	9,313
Leasehold improvements	874,757	856,874	17,883
Automotive equipment	49,210	49,025	185
Fine art	61,375	-	61,375
	3,821,930	2,566,240	1,255,690

	2020		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Building improvements	441,151	58,384	382,767
Equipment and furniture	1,944,418	1,458,884	485,534
Pavement	19,339	9,428	9,911
Leasehold improvements	887,368	862,097	25,271
Automotive equipment	66,722	65,420	1,302
Fine art	61,375	-	61,375
	3,420,373	2,454,213	966,160

In the prior year, certain assets were transferred to the Foundation. Refer to note 9 for further details.

The Organization has recorded amortization expense of \$248,903 (2020 – \$366,444).

Lutherwood

Notes to Financial Statements

March 31, 2021

4 Deferred revenue

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

	2021	2020
	\$	\$
Sunshine resident deposits	714,649	749,816
Directed donations and grants	935,725	995,647
Region of Waterloo	1,301,685	770,842
Service Canada	352,823	-
Ministry of Health, Children and Youth Mental Health	155,825	15,995
Other	47,028	43,795
	<hr/>	<hr/>
	3,507,735	2,576,095
	<hr/>	<hr/>

5 Long-term debt

	2021	2020
	\$	\$
Unsecured promissory note in favour of the Foundation due December 1, 2021, interest calculated at 4%, monthly payments of \$368 including principal and interest	3,260	7,458
Unsecured promissory note in favour of the Foundation due December 1, 2023, interest calculated at 4%, monthly payments of \$916 including principal and interest	28,574	38,210
Unsecured promissory note in favour of the Foundation due April 1, 2022, interest calculated at 4%, monthly payments of \$2,055 including principal and interest	26,098	49,207
	<hr/>	<hr/>
	57,932	94,875
Less: Current portion	37,339	36,943
	<hr/>	<hr/>
	20,593	57,932
	<hr/>	<hr/>

Lutherwood

Notes to Financial Statements

March 31, 2021

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 the Organization's property, plant and equipment were originally purchased.

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

	2021 \$	2020 \$
Balance – Beginning of year	564,659	462,141
Amounts received:		
Ministry of Community and Social Services and Ministry of Children's Services/Ministry of Health	348,018	-
The Foundation	-	167,400
Recognized deferred contributions on disposal of assets	-	(12,159)
Amounts amortized to revenue	(70,651)	(52,723)
	<hr/>	<hr/>
Balance – End of year	842,026	564,659

The Organization has received additional funding from the Ministry of Health in the amount of \$348,010 to support additional COVID-19 related expenditures, of which \$348,018 is currently recorded in deferred contributions.

7 Government remittances

As at March 31, 2021, 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 \$232,109 (2020 – \$108,636). 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:

	\$
2022	2,430,852
2023	128,987
2024	34,545
2025	5,964
	<hr/>
	2,600,348

Lutherwood

Notes to Financial Statements

March 31, 2021

9 Related party transactions

Included in accounts receivable is \$189,495 (2020 – \$750,349) owing from the Foundation. Included in accounts payable is \$19 (2020 – \$6,627) owing to the Foundation. The Foundation uses the services of the Organization to provide premiere housing services to seniors. The cost of these services amounted to \$764,785 (2020 – \$782,324). In addition, the Foundation paid construction management fees of \$nil (2020 – \$517) and charged premise rent of \$8,041 (2020 – \$7,797) to the Organization. The Organization received grants of \$2,013,242 (2020 – \$1,884,749) from the Foundation.

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

On June 29, 2019, the Organization transferred assets with a net book value of \$14,099,308 to the Foundation at fair value of \$19,400,000. The related deferred contributions of \$12,159 were recognized as contribution revenue. The resulting loan receivable of \$4,388,281 in exchange for these assets was gifted to the Foundation and recorded as a contribution expense.

	2021	2020
	\$	\$
Unsecured loan receivable from the Foundation due December 1, 2059, interest calculated at 4%, monthly payments of \$6,336 including principal and interest	1,496,241	1,512,074
Less: Current principal payments	16,478	15,833
	<u>1,479,763</u>	<u>1,496,241</u>

10 Economic dependence

The Organization relies on funding from provincial and federal ministries to operate a significant number of its programs. Consequently, the Organization'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, short-term investments and accounts receivable. Management considers its exposure to credit risk attributable to cash and cash equivalents and short-term investments to be low as they are held in major financial institutions. Accounts receivable bear low risk as they are amounts from government agencies.

Lutherwood

Notes to Financial Statements

March 31, 2021

Interest rate risk

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

12 Credit facilities

The Organization 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:

- i) all of the Organization's present personal property and all personal property acquired in the future; and
- ii) 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.

As at March 31, 2021, \$nil (2020 – \$ nil) of this credit facility had been utilized.