

# **Lutherwood**

Financial Statements  
**March 31, 2023**



## Independent auditor's report

To the Board of Governors of Lutherwood

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### 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, 2023 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, 2023;
- 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.

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### 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.

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### 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

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\*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.

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### **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 21, 2023

**Lutherwood**  
Statement of Financial Position  
As at March 31, 2023

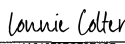
	2023 \$	2022 \$
<b>Assets</b> (note 12)		
<b>Current assets</b>		
Cash and cash equivalents	3,744,176	4,979,600
Short-term investments	2,000,000	-
Accounts receivable (note 9)	2,353,296	2,337,842
Inventory	141,508	125,749
Loan receivable from Lutherwood Child and Family Foundation (note 9)	17,848	17,150
Prepaid expenses	455,238	409,012
	8,712,066	7,869,353
<b>Loan receivable from Lutherwood Child and Family Foundation</b> (note 9)	1,444,765	1,462,613
<b>Long-term investment</b>	742,971	752,105
<b>Property, plant and equipment</b> (note 3)	1,669,096	1,350,558
	12,568,898	11,434,629
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 7 and 9)	4,193,311	4,050,131
Deferred revenue (note 4)	3,510,216	3,043,198
Due to Lutherwood Child and Family Foundation (note 9)	290,248	-
Long-term debt – current portion (note 5)	8,107	12,486
	8,001,882	7,105,815
<b>Long-term debt</b> (note 5)	-	8,107
<b>Deferred contributions</b> (note 6)	1,206,983	950,148
	9,208,865	8,064,070
<b>Net assets</b>		
Net assets invested in property, plant and equipment	559,513	362,809
Net assets internally restricted	1,069,650	178,517
Unrestricted net assets	1,730,870	2,829,233
	3,360,033	3,370,559
	12,568,898	11,434,629

**Commitments** (note 8)

**Approved by the Board of Governors**

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Governor

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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, 2023

	Invested in property, plant and equipment \$	Internally restricted \$	Unrestricted \$	Total \$
<b>Fund balances – March 31, 2021</b>	349,671	302,870	2,800,894	3,453,435
Excess of (expenses over revenues) revenues over expenses	(188,735)	(124,353)	230,212	(82,876)
Investment in property, plant and equipment	411,600	-	(411,600)	-
Deferred contributions	(236,119)	-	236,119	-
Repayment of long-term debt	37,339	-	(37,339)	-
Change in working capital related to property, plant and equipment	(10,947)	-	10,947	-
<b>Fund balances – March 31, 2022</b>	362,809	178,517	2,829,233	3,370,559
Excess of (expenses over revenues) revenues over expenses	(108,682)	(108,867)	207,023	(10,526)
Investment in property, plant and equipment	545,699	-	(545,699)	-
Deferred contributions	(375,314)	-	375,314	-
Repayment of long-term debt	12,486	-	(12,486)	-
Change in working capital related to property, plant and equipment	122,515	-	(122,515)	-
Interfund transfer	-	1,000,000	(1,000,000)	-
<b>Fund balances – March 31, 2023</b>	559,513	1,069,650	1,730,870	3,360,033

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

# Lutherwood

## Statement of Operations

For the year ended March 31, 2023

	2023 \$	2022 \$
<b>Revenues</b>		
Ministry of Health, Children and Youth Mental Health	6,875,565	7,836,544
Ministry of Children Community and Social Services	3,450,219	2,140,528
Ministry of Labour, Training and Skills Development	4,115,947	4,308,913
Service Canada	383,682	352,693
Regional Municipality of Waterloo	7,245,095	6,242,148
Ministry of Health and Long-term Care	1,346,298	1,346,298
Ministry of the Attorney General	-	337,755
Immigration, Refugees and Citizenship	843,821	544,653
Seniors' Services	9,628,335	9,180,606
Lutherwood Child and Family Foundation (note 9)	2,443,566	2,081,510
Fee for service (note 9)	1,527,040	1,683,865
Amortization of deferred contributions (note 6)	118,479	127,997
Unrealized (loss) gain	(16,350)	2,465
Miscellaneous	230,958	110,558
	<u>38,192,655</u>	<u>36,296,533</u>
<b>Expenses</b>		
Salaries and benefits	24,598,120	23,610,340
Cost of goods and services	601,501	531,511
Participant costs	1,588,270	1,714,362
Travel	90,347	57,989
Staff development	165,005	121,020
Building occupancy (note 9)	4,306,535	4,134,657
Purchased services	2,342,812	1,737,357
Program expenses	2,878,392	2,575,068
Professional services	240,404	247,922
Advertising and promotion	125,293	91,672
Office expenses	895,216	766,390
COVID-19 expenditures	60,881	346,955
Interest	11,989	2,587
Amortization of property, plant and equipment (note 3)	227,161	316,732
Contribution expense (note 9)	71,255	124,847
	<u>38,203,181</u>	<u>36,379,409</u>
<b>Excess of expenses over revenues</b>	<u>(10,526)</u>	<u>(82,876)</u>

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

# Lutherwood

## Statement of Cash Flows

For the year ended March 31, 2023

	2023 \$	2022 \$
<b>Cash and cash equivalents provided by (used in)</b>		
<b>Operating activities</b>		
Excess of expenses over revenues	(10,526)	(82,876)
Unrealized loss on investments	16,350	-
Amortization of property, plant and equipment	227,161	316,732
Amortization of deferred contributions	(118,479)	(127,997)
	<u>114,506</u>	<u>105,859</u>
Net change in non-cash working capital	522,527	(1,386,635)
	<u>637,033</u>	<u>(1,280,776)</u>
<b>Investing activities</b>		
Purchases of property, plant and equipment	(535,467)	(278,853)
(Purchase) redemption of short-term investments	(2,000,000)	705,000
Purchase of long-term investments	(7,216)	(752,105)
Loan receivable from Lutherwood Child and Family Foundation	17,150	16,478
	<u>(2,525,533)</u>	<u>(309,480)</u>
<b>Financing activities</b>		
Repayment of long-term debt	(12,486)	(37,339)
Due to Lutherwood Child and Family Foundation	290,248	-
Deferred contributions received	375,314	236,119
	<u>653,076</u>	<u>198,780</u>
<b>Decrease in cash and cash equivalents during the year</b>	<b>(1,235,424)</b>	<b>(1,391,476)</b>
<b>Cash and cash equivalents – Beginning of year</b>	<b>4,979,600</b>	<b>6,371,076</b>
<b>Cash and cash equivalents – End of year</b>	<b>3,744,176</b>	<b>4,979,600</b>
<b>Supplemental disclosure</b>		
Interest paid	11,989	2,587

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



# **Lutherwood**

## **Notes to Financial Statements**

**March 31, 2023**

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### **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**

Internally restricted funds include the following amounts:

- Employee welfare reserve of \$165,144 (2022 – \$165,144);
- Capital project reserve of \$904,506 (2022 – \$nil); and
- General capital reserve of \$nil (2022 – \$13,373).

#### **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, 2023

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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 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 cash held with financial institutions, petty cash and guaranteed investment certificates that mature within 30 days.

### Investments

The Organization has an investment portfolio managed by RaeLipskie Partnership with National Bank Independent Network being the custodian of the assets of \$742,971 (2022 – \$752,105).

Short-term investments include a \$2,000,000 non-redeemable GIC invested at 4.78% with a maturity date of September 4, 2023 (2022 – \$nil).

### 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, 2023

### 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 Lutherwood Child and Family Foundation, long-term investment, accounts payable and accrued liabilities, due to Lutherwood Child and Family Foundation 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 \$5,811,390 (2022 – \$5,478,786).

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>2023</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Building improvements	891,618	206,496	685,122
Equipment and furniture	2,217,933	1,818,035	399,898
Pavement	38,984	12,204	26,780
Leasehold improvements	1,359,091	863,170	495,921
Automotive equipment	49,210	49,210	-
Fine art	61,375	-	61,375
	<b>4,618,211</b>	<b>2,949,115</b>	<b>1,669,096</b>

# Lutherwood

## Notes to Financial Statements

March 31, 2023

	2022		
	Cost \$	Accumulated amortization \$	Net \$
Building improvements	851,421	146,441	704,980
Equipment and furniture	2,324,993	1,804,200	520,793
Pavement	38,984	10,624	28,360
Leasehold improvements	900,022	864,972	35,050
Automotive equipment	49,210	49,210	-
Fine art	61,375	-	61,375
	<u>4,226,005</u>	<u>2,875,447</u>	<u>1,350,558</u>

The Organization has recorded amortization expense of \$227,161 (2022 – \$316,732). The Organization has \$10,232 (2022 – \$132,747) in accounts payable and accrued liabilities relating to the purchase of property, plant and equipment.

#### 4 Deferred revenue

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

	2023 \$	2022 \$
Sunshine resident deposits	790,547	787,890
Directed donations and grants	1,787,192	1,133,793
Region of Waterloo	539,444	1,043,548
Service Canada	136,434	49,242
Other	256,599	28,725
	<u>3,510,216</u>	<u>3,043,198</u>

#### 5 Long-term debt

	2023 \$	2022 \$
Unsecured promissory note in favour of the Foundation due December 1, 2023, interest calculated at 4%, monthly payments of \$916 including principal and interest	8,107	18,545
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	-	2,048
	<u>8,107</u>	<u>20,593</u>
Less: Current portion	8,107	12,486
	<u>-</u>	<u>8,107</u>

# Lutherwood

## Notes to Financial Statements

March 31, 2023

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

Deferred contributions related to property, plant and equipment 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:

	2023 \$	2022 \$
Balance – Beginning of year	950,148	842,026
Amounts received		
Ministry of Health, Children and Youth Mental Health	259,854	-
Ministry of Community and Social Services	74,000	119,747
Lutherwood Foundation	13,101	36,818
Ministry of Labour, Training and Skills Development	-	9,617
Immigration, Refugees and Citizenship	-	1,447
Infrastructure Canada	28,359	68,490
Amounts amortized to revenue	<u>(118,479)</u>	<u>(127,997)</u>
Balance – End of year	<u>1,206,983</u>	<u>950,148</u>

### 7 Government remittances

As at March 31, 2023, 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 \$511,173 (2022 – \$192,831). 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:

	\$
2024	2,423,454
2025	156,283
2026	158,602
2027	48,733
2028	<u>3,238</u>
	<u>2,790,310</u>

# Lutherwood

## Notes to Financial Statements

March 31, 2023

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### 9 Related party transactions

Included in accounts receivable is \$600,143 (2022 – \$192,344) owing from the Foundation. Included in accounts payable and accrued liabilities is \$71,878 (2022 – \$125,517) 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 \$900,948 (2022 – \$889,318). In addition, the Foundation charged premise rent of \$11,396 (2022 – \$8,235) to the Organization. As well, the Foundation is owed \$290,248 (2022 – \$nil) for a leasehold improvement cost. The Organization received grants of \$2,443,566 (2022 – \$2,081,510) from the Foundation.

Loan receivable with Lutherwood Child and Family Foundation:

	2023 \$	2022 \$
Unsecured loan receivable from the Foundation due December 1, 2059, interest calculated at 4%, monthly payments of \$6,336 including principal and interest	1,462,613	1,479,763
Less: Current principal payments	17,848	17,150
	<u>1,444,765</u>	<u>1,462,613</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.

#### Interest rate risk

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

## **Lutherwood**

### Notes to Financial Statements

**March 31, 2023**

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#### **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) a debenture security for \$2,500,000 conveying a first fixed charge over the property at 285 Benjamin Road, Waterloo, plus an acknowledged assignment of fire and other perils insurance, with loss payable to the lender.

As at March 31, 2023, \$nil (2022 – \$nil) of this credit facility had been utilized.

