

Financial Statements of

**DEAFBLIND ONTARIO
SERVICES**

Year ended March 31, 2018



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Deafblind Ontario Services

We have audited the accompanying financial statements of Deafblind Ontario Services, which comprise the statement of financial position as at March 31, 2018, the statements of operating fund revenue and expenses, community donation fund revenue and expenses, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 qualified audit opinion.



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Basis for Qualified Opinion

In common with many charitable organizations, Deafblind Ontario Services derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of Deafblind Ontario Services. Therefore, we were not able to determine whether, as at and for the years ended March 31, 2018 and March 31, 2017, any adjustments might be necessary to donations and excess (deficiency) of revenue over expenses reported in the statements of operating fund revenue and expenses, excess of revenue over expenses in the statements of community donation fund revenue and expenses, excess (deficiency) of revenue over expenses reported in the statements of cash flows and current assets and net assets reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2017.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Deafblind Ontario Services as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 5, 2018
Vaughan, Canada

DEAFBLIND ONTARIO SERVICES

(Incorporated under the laws of Ontario without share capital)

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 547,396	\$ 208,014
Accounts receivable	243,797	324,879
Prepaid expenses	99,232	58,052
	<u>890,425</u>	<u>590,945</u>
Community Donation Fund net assets (note 2)	294,711	223,184
Property and equipment (note 3)	9,899,315	9,577,464
	<u>\$ 11,084,451</u>	<u>\$ 10,391,593</u>

Liabilities and Net Assets

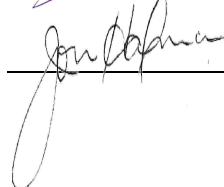
Current liabilities:		
Accounts payable and accrued liabilities	\$ 574,136	\$ 510,824
Government remittances payable	89,519	51,473
Mortgage loans - current portion (note 5)	44,583	36,320
	<u>708,238</u>	<u>598,617</u>
Mortgage loans (note 5)	1,000,218	859,571
Forgivable loans (note 6)	3,295,429	3,295,429
Unamortized Community Donation Fund restricted transfers (note 7)	409,896	465,936
Unamortized Province of Ontario restricted transfers (note 7)	1,674,346	1,492,008
Net assets:		
Invested in property and equipment (note 8)	3,474,843	3,428,200
Community Donation Fund surplus	294,711	223,184
Operating Fund surplus	226,770	28,648
	<u>3,996,324</u>	<u>3,680,032</u>
Lease commitments (note 10)		
Economic dependence (note 11)		
	<u>\$ 11,084,451</u>	<u>\$ 10,391,593</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

DEAFBLIND ONTARIO SERVICES

Statement of Operating Fund Revenue and Expenses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Province of Ontario subsidy	\$ 13,972,421	\$ 13,177,042
Accommodation and care service fees	667,395	622,705
Other	470,104	344,002
Amortization of restricted transfers (note 7)	305,602	260,326
Gain on disposal of property and equipment	275,164	126,304
	<u>15,690,686</u>	<u>14,530,379</u>
Expenses:		
Salaries	8,928,155	8,800,440
Benefits	1,655,213	1,549,909
Professional fees	1,188,595	1,040,769
Administrative salaries	585,076	482,270
Programming and supplies	498,443	471,742
Maintenance, repairs and replacements	281,426	177,421
Travel	273,693	237,335
Rent	236,916	250,126
Vehicle operation and maintenance	205,752	220,093
Utilities and taxes	201,762	208,319
Training	150,933	200,998
Advertising and promotion	78,805	67,575
Board	76,262	22,945
Bank charges	58,450	64,673
Other	56,780	67,672
Insurance	50,167	47,535
Interest	42,010	21,636
Recruitment	24,992	12,736
Amortization of property and equipment	940,014	883,183
	<u>15,533,444</u>	<u>14,827,377</u>
Excess (deficiency) of revenue over expenses	\$ 157,242	\$ (296,998)

See accompanying notes to financial statements.

DEAFBLIND ONTARIO SERVICES

Statement of Community Donation Fund Revenue and Expenses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Fundraising activities	\$ 252,710	\$ 192,916
Donations	121,818	185,170
Other	68,286	58,820
Unrealized loss on investments	(1,936)	—
	<u>440,878</u>	<u>436,906</u>
Expenses:		
Operating	196,523	183,485
Fundraising activities	67,508	32,994
Other	17,797	17,673
	<u>281,828</u>	<u>234,152</u>
<u>Excess of revenue over expenses</u>	<u>\$ 159,050</u>	<u>\$ 202,754</u>

See accompanying notes to financial statements.

DEAFBLIND ONTARIO SERVICES

Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

				2018	2017
	Invested in property and equipment	Community Donation Fund	Operating Fund	Total	Total
Net assets, beginning of year	\$ 3,428,200	\$ 223,184	\$ 28,648	\$ 3,680,032	\$ 3,774,276
Excess (deficiency) of revenue over expenses	–	159,050	157,242	316,292	(94,244)
Fund transfers	–	(87,523)	87,523	–	–
Change in net assets invested in property and equipment (note 8)	46,643	–	(46,643)	–	–
Net assets, end of year	\$ 3,474,843	\$ 294,711	\$ 226,770	\$ 3,996,324	\$ 3,680,032

See accompanying notes to financial statements.

DEAFBLIND ONTARIO SERVICES

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 316,292	\$ (94,244)
Items not involving cash:		
Amortization of property and equipment	940,014	883,183
Amortization of restricted transfers	(305,602)	(260,326)
Gain on disposal of property and equipment	(275,164)	(126,304)
Change in non-cash operating working capital:		
Accounts receivable	81,082	(129,642)
Prepaid expenses	(41,180)	40,537
Accounts payable and accrued liabilities	63,312	(272,091)
Government remittances payable	38,046	(35,056)
	<u>816,800</u>	<u>6,057</u>
Financing activities:		
Increase in mortgage loans	312,000	908,000
Repayment of mortgage loans	(163,090)	(12,109)
Increase in forgivable loans	—	486,000
Net transfers from Community Donation Fund	(71,527)	(67,190)
Increase in unamortized restricted transfers	431,900	297,294
	<u>509,283</u>	<u>1,611,995</u>
Investing activities:		
Additions to property and equipment	(1,531,701)	(1,957,026)
Proceeds on disposal of property and equipment	545,000	409,000
	<u>(986,701)</u>	<u>(1,548,026)</u>
Increase in cash	339,382	70,026
Cash, beginning of year	208,014	137,988
Cash, end of year	<u>\$ 547,396</u>	<u>\$ 208,014</u>

See accompanying notes to financial statements.

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements

Year ended March 31, 2018

DeafBlind Ontario Services (the "Organization") is a not-for-profit organization incorporated without share capital under the laws of the Province of Ontario. The Organization is a registered charity and assists individuals who are deafblind to increase their independence and improve their quality of life through specialized services.

The Organization maintains a Community Donation Fund for the purpose of funding programs or purchasing property and equipment for which provincial funding is not available.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations using the restricted fund method of reporting restricted contributions.

(b) Revenue recognition:

Province of Ontario subsidy revenue is recognized based on the annual service contract. Service revenue is recognized when the service is rendered to the client, collection is reasonably assured and all significant obligations have been fulfilled. Revenue from donations is recorded when collected.

Externally restricted donations are deferred until the funds have been used for the restricted purposes.

(c) Property and equipment:

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis at annual rates calculated to write off the assets over their estimated useful lives as follows:

Buildings	5%
Building improvements	10%
Furnishings and equipment	20%
Vehicles	20%

Assets attributable to capital projects that are not in use are held as construction in progress and are not amortized until they are in use.

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(d) Donated property and equipment, materials and services:

The work of the Organization is dependent on the voluntary service of many individuals. Since these services are not normally purchased by the Organization and because of the difficulty of determining their fair value, donated services are not recognized in the financial statements.

Donated property, equipment and materials are recorded at fair values at the time of receipt when fair values can be reasonably estimated.

(e) Restricted fund transfers:

Monies received to purchase property and equipment are deferred and amortized in the statement of operating fund revenue and expenses on the same basis as the related property and equipment is amortized.

(f) Use of estimates:

The preparation of financial statements 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 revenue and expenses during the year. Actual amounts could differ from those estimates.

2. Community Donation Fund net assets:

	2018	2017
Cash	\$ 355,418	\$ 399,844
Investments	312,132	—
Accounts receivable	25,464	64,984
Prepaid expenses	5,462	728
Accounts payable and accrued liabilities	(62,541)	(15,100)
Restricted donation receipts and deferred revenue	(341,224)	(227,272)
	<u>\$ 294,711</u>	<u>\$ 223,184</u>

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2018

3. Property and equipment:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,762,364	\$ –	\$ 1,762,364	\$ 1,743,364
Buildings	5,713,652	1,419,580	4,294,072	4,395,622
Building improvements	5,505,506	2,203,804	3,301,702	2,506,952
Furnishings and equipment	1,010,502	673,407	337,095	375,306
Vehicles	433,209	240,145	193,064	158,755
Construction in progress	11,018	–	11,018	397,465
	\$ 14,436,251	\$ 4,536,936	\$ 9,899,315	\$ 9,577,464

The Ministry of Community and Social Services has an interest on title for all land and buildings owned by the Organization. The Regional Municipality of York has an interest on title for the land and buildings located at 61 Alexander Blvd., 1 Joel Ave. and 10 St. George St., Georgina, Ontario; the City of London has an interest on title for the land and buildings located at 1166 Sandbar Ave. and 2514 Tokala Tr., London, Ontario; The Regional Municipality of Waterloo has an interest on title for the land and buildings at 123 Northumberland Dr., Ayr, Ontario; and the County of Simcoe has an interest in title for the land and buildings at 7 Forestwood Ln, Barrie, Ontario.

4. Credit facility:

The Organization entered into a lending facility consisting of \$510,000 available. The lending facility bears interest at prime rate plus 0.75% (2017 - prime rate plus 0.75%) and is secured by a general security agreement, an assignment of the fire insurance and a collateral mortgage on one of the Organization's properties.

As at March 31, 2018, no amount has been advanced against this lending facility.

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Mortgage loans:

Property	Due date	Monthly payment	Rate	2018	2017
7 Forestwood Lane, Barrie	November 30, 2022	\$ 2,013	prime +0.75%	\$ 571,786	\$ 595,945
86 Earlwood Drive, Peterborough	November 30, 2022	1,013	prime + 0.75%	167,786	299,946
4681 Guy Avenue, Hanmer	May 1, 2019	681	3.38%	305,229	—
				1,044,801	895,891
Less current portion				44,583	36,320
				\$ 1,000,218	\$ 859,571

Future principal payments required on all long-term debt for the next four years are as follows:

2019	\$ 44,585
2020	333,283
2021	36,320
2022	630,613
	\$ 1,044,801

The mortgages are secured by a general security agreements, which include a general security agreement representing a first charge on all Organization's present and after acquired personal property. In addition, the security requires an assignment of fire and liability insurance. Furthermore, the mortgages are secured by continuing collateral mortgages in the aggregate principal amount of \$1,580,400, which represent a first charge on the underlying real properties located at 7 Forestwood Lane, 41 Ridgeview Crescent, 86 Earlwood Drive, and 4681 Guy Avenue.

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2018

6. Forgivable loans:

Forgivable loans:

Municipality	Effective date	Term	2018	2017
City of London	February 2, 2016	25 years	\$ 460,000	\$ 460,000
City of London	August 21, 2013	25 years	412,000	412,000
County of Simcoe	December 7, 2016	20 years	486,000	486,000
The Regional Municipality of York	October 13, 2010	20 years	264,181	264,181
The Regional Municipality of York	September 12, 2011	20 years	480,000	480,000
The Regional Municipality of York	November 29, 2013	20 years	640,428	640,428
The Regional Municipality of Waterloo	July 22, 2014	25 years	552,820	552,820
			\$ 3,295,429	\$ 3,295,429

Funds have been advanced as forgivable loans to assist in the completion of new residences located in the municipalities that advanced the funds. The municipalities have placed mortgages on the properties in question in the amount of the loan balances.

The loan agreements require that management be in compliance with various operational terms and that the residences continue to operate as stated in the Affordable Housing/Investment in Affordable Housing Contribution Agreements with The Regional Municipality of York, City of London, The Regional Municipality of Waterloo and the County of Simcoe, for the entire term of the agreement.

Forgivable loans are non-interest bearing with no specific terms of repayment.

During the year, the Organization did not receive any funds (2017 - \$486,000).

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Unamortized restricted transfers:

The unamortized restricted transfers relate to subsidies and donations received that restrict the use of the funds to the purchase of property and equipment. These restricted contributions are deferred and amortized into revenue on the same basis as the amortization of the purchased property and equipment. The balances at year end consist of the following:

Unamortized Community Donation Fund restricted transfers:

	2018	2017
Balance, beginning of year	\$ 465,936	\$ 345,591
Transfers from Community Donation Fund	–	162,709
Amortization	(56,040)	(42,364)
Balance, end of year	\$ 409,896	\$ 465,936

Unamortized Province of Ontario restricted transfers:

	2018	2017
Balance, beginning of year	\$ 1,492,008	\$ 1,575,385
Additional restricted amounts received	431,900	134,585
Amortization	(249,562)	(217,962)
Balance, end of year	\$ 1,674,346	\$ 1,492,008

8. Net assets invested in property and equipment:

The net assets invested in property and equipment consist of the following:

	2018	2017
Net book value	\$ 9,899,315	\$ 9,577,464
Mortgage loans used for purchases	(1,044,801)	(895,891)
Forgivable loans used for purchases	(3,295,429)	(3,295,429)
Unamortized Community Donation Fund restricted transfers	(409,896)	(465,936)
Unamortized Province of Ontario restricted transfers	(1,674,346)	(1,492,008)
Net assets invested in property and equipment	\$ 3,474,843	\$ 3,428,200

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2018

8. Net assets invested in property and equipment (continued):

The change in net assets invested in property and equipment is calculated as follows:

	2018	2017
Purchases	\$ 1,531,701	\$ 1,957,026
Amortization of property and equipment	(940,014)	(883,183)
Disposals	(269,836)	(282,696)
Amortization of restricted fund transfers	305,602	260,326
Restricted fund transfers	(431,900)	(297,294)
Loan activity for loans used to purchase property and equipment	(148,910)	(1,381,891)
Change in net assets invested in property and equipment	\$ 46,643	\$ (627,712)

9. Internally restricted funds:

The Board of Directors established two internally restricted funds to provide the Organization with financial stability and flexibility over the longer term. The funds will be funded with non-restricted funding or donations:

(a) Contingent Restricted Fund:

This fund was established to support the Organization's day-to-day operations in the event of unforeseen and temporary shortfalls, such as legal liabilities.

(b) Strategic Restricted Fund:

This fund was established to be used for one-time, nonrecurring expenses that will build long-term capacity, such as investment in new and existing infrastructure.

These internally restricted funds are included in Community Donation Fund and the balances comprise the following:

	2018	2017
Contingent restricted fund	\$ 204,422	\$ –
Strategic restricted fund	138,854	–

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2018

10. Lease commitments:

Future minimum annual commitments are as follows:

2019	\$ 272,000
2020	137,000
2021	115,000
2022	96,000
2023	62,000
Thereafter	68,000

11. Economic dependence:

87% of the Organization's revenue (2017 - 88%) is from the Province of Ontario.

12. Financial risks:

The Organization believes that it is not exposed to significant interest rate, market, credit or cash flow risk arising from its financial instruments.

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares a budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There has been no change to the risk exposures from the prior year.