

Financial Statements of

**DEAFBLIND ONTARIO
SERVICES**

And Independent Auditors' Report thereon

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Deafblind Ontario Services

Qualified Opinion

We have audited the financial statements of Deafblind Ontario Services (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operating fund revenue and expenses for the year then ended
- the statement of community donation fund revenue and expenses for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organization.

Basis for Qualified Opinion

In common with many charitable organizations, the Entity derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at March 31, 2019 and March 31, 2018



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- the donations revenue and excess (deficiency) of revenues over expenses reported in the statements of operating fund revenue and expenses, and the statements of community donation fund revenue and expenses for the years ended March 31, 2019 and March 31, 2018
- the fund balances, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended March 31, 2019 and March 31, 2018
- the excess (deficiency) of revenue over expenses reported in the statements of cash flows for the years ended March 31, 2019 and March 31, 2018.

Our opinion on the financial statements for the year ended March 31, 2018 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

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

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

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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



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- 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 11, 2019

DEAFBLIND ONTARIO SERVICES

(Incorporated under the laws of Ontario without share capital)

Statement of Financial Position

March 31, 2019, with comparative information for 2018


	2019	2018
Assets		
Current assets:		
Cash	\$ 541,217	\$ 547,396
Accounts receivable	310,748	243,797
Prepaid expenses	146,110	99,232
	<u>998,075</u>	<u>890,425</u>
Community Donation Fund net assets (note 2)	497,681	294,711
Property and equipment (note 3)	10,176,385	9,899,315
	<u>\$ 11,672,141</u>	<u>\$ 11,084,451</u>

Liabilities and Net Assets

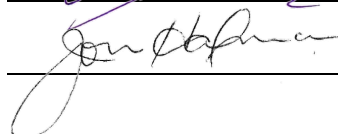
Current liabilities:		
Accounts payable and accrued liabilities	\$ 730,350	\$ 574,136
Government remittances payable	80,005	89,519
Mortgage loans - current portion (note 5)	50,301	44,583
	<u>860,656</u>	<u>708,238</u>
Mortgage loans (note 5)	1,251,951	1,000,218
Forgivable loans (note 6)	3,611,929	3,295,429
Unamortized Community Donation Fund restricted transfers (note 7)	569,901	409,896
Unamortized Province of Ontario restricted transfers (note 7)	1,456,405	1,674,346
Net assets:		
Invested in property and equipment (note 8)	3,235,898	3,474,843
Community Donation Fund surplus	497,681	294,711
Operating Fund surplus	187,720	226,770
	<u>3,921,299</u>	<u>3,996,324</u>
Lease commitments (note 10)		
Economic dependence (note 11)		
	<u>\$ 11,672,141</u>	<u>\$ 11,084,451</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, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Province of Ontario subsidy	\$ 14,749,784	\$ 13,972,421
Accommodation and care service fees	694,956	667,395
Other	511,929	470,104
Amortization of restricted transfers (note 7)	327,522	305,602
Gain (loss) on disposal of property and equipment	(35,125)	275,164
	<u>16,249,066</u>	<u>15,690,686</u>
Expenses:		
Salaries	8,844,577	8,928,155
Benefits	1,955,616	1,655,213
Professional fees	1,378,744	1,188,595
Amortization of property and equipment	990,468	940,014
Administrative salaries	657,546	585,076
Programming and supplies	506,079	498,443
Training	375,469	150,933
Travel	357,652	273,693
Maintenance, repairs and replacements	242,193	281,426
Rent	222,262	236,916
Vehicle operation and maintenance	201,492	205,752
Utilities and telephone	199,841	201,762
Board	128,035	76,262
Other	84,587	56,780
Bank charges	57,837	58,450
Insurance	56,830	50,167
Recruitment	53,229	24,992
Advertising and promotion	49,412	78,805
Interest	44,617	42,010
	<u>16,406,486</u>	<u>15,533,444</u>
Excess (deficiency) of revenue over expenses	\$ (157,420)	\$ 157,242

See accompanying notes to financial statements.

DEAFBLIND ONTARIO SERVICES

Statement of Community Donation Fund Revenue and Expenses

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Fundraising activities	\$ 216,963	\$ 252,710
Donations	159,541	121,818
Other	61,081	68,286
Unrealized gain (loss) on investments	9,311	(1,936)
	<u>446,896</u>	<u>440,878</u>
Expenses:		
Operating	230,733	196,523
Fundraising activities	70,552	67,508
Other	63,216	17,797
	<u>364,501</u>	<u>281,828</u>
<u>Excess of revenue over expenses</u>	<u>\$ 82,395</u>	<u>\$ 159,050</u>

See accompanying notes to financial statements.

DEAFBLIND ONTARIO SERVICES

Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

				2019	2018
	Invested in property and equipment	Community Donation Fund (note 9)	Operating Fund	Total	Total
Net assets, beginning of year	\$ 3,474,843	\$ 294,711	\$ 226,770	\$ 3,996,324	\$ 3,680,032
Excess (deficiency) of revenue over expenses	–	82,395	(157,420)	(75,025)	316,292
Fund transfers	–	(132,011)	132,011	–	–
Restricted Fund transfers (note 7)	–	252,586	(252,586)	–	–
Change in net assets invested in property and equipment (note 8)	(238,945)	–	238,945	–	–
Net assets, end of year	\$ 3,235,898	\$ 497,681	\$ 187,720	\$ 3,921,299	\$ 3,996,324

See accompanying notes to financial statements.

DEAFBLIND ONTARIO SERVICES

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (75,025)	\$ 316,292
Items not involving cash:		
Amortization of property and equipment	990,468	940,014
Amortization of restricted transfers	(327,522)	(305,602)
Loss (gain) on disposal of property and equipment	35,125	(275,164)
Change in non-cash operating working capital:		
Accounts receivable	(66,951)	81,082
Prepaid expenses	(46,878)	(41,180)
Accounts payable and accrued liabilities	156,214	63,312
Government remittances payable	(9,514)	38,046
	<u>655,917</u>	<u>816,800</u>
Financing activities:		
Increase in mortgage loans	577,600	312,000
Repayment of mortgage loans	(320,149)	(163,090)
Increase in forgivable loans	316,500	-
Net transfers from Community Donation Fund	(202,970)	(71,527)
Increase in unamortized restricted transfers	269,586	431,900
	<u>640,567</u>	<u>509,283</u>
Investing activities:		
Additions to property and equipment	(1,302,663)	(1,531,701)
Proceeds on disposal of property and equipment	-	545,000
	<u>(1,302,663)</u>	<u>(986,701)</u>
Increase (decrease) in cash	(6,179)	339,382
Cash, beginning of year	547,396	208,014
Cash, end of year	<u>\$ 541,217</u>	<u>\$ 547,396</u>

See accompanying notes to financial statements.

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements

Year ended March 31, 2019

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 helps 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.

Forgivable loans have restrictive covenants which require that eligibility criteria be assessed upon expiry of the loan term, as such no forgiveness amounts are recognized annually. The full loan values will be recognized in revenue at the end of each agreement, should the conditions have continued to be met throughout the term and upon expiry.

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(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%

Construction in progress is not amortized until the asset is available for productive use.

(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 these estimates.

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Community Donation Fund net assets:

	2019	2018
Cash	\$ 371,256	\$ 355,418
Investments	411,618	312,132
Accounts receivable	29,647	25,464
Prepaid expenses	1,863	5,462
Accounts payable and accrued liabilities	(21,849)	(62,541)
Restricted donation receipts and deferred revenue	(294,854)	(341,224)
	\$ 497,681	\$ 294,711

3. Property and equipment:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,872,363	\$ –	\$ 1,872,363	\$ 1,762,364
Buildings	5,951,214	1,709,221	4,241,993	4,294,072
Building improvements	5,892,648	2,620,545	3,272,103	3,301,702
Furnishings and equipment	1,233,084	814,797	418,287	337,095
Vehicles	633,044	307,220	325,824	193,064
Construction in progress	45,815	–	45,815	11,018
	\$ 15,628,168	\$ 5,451,783	\$ 10,176,385	\$ 9,899,315

The Ministry of Children, Community and Social Services has an interest on title for the land and buildings located at 41 Ridgeview Cres, Waterloo, Ontario, 154 Old Chicopee Drive, Kitchener, Ontario, 61 Alexander Boulevard, Jackson's Point, Ontario and 2009 Craig Road, Innisfil, Ontario. The Regional Municipality of York has an interest on title for the land and buildings located at 61 Alexander Blvd., 1 Joel Ave. and 22 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; The County of Simcoe has an interest on title for the land and buildings at 7 Forestwood Ln, Barrie, Ontario, and the City of Peterborough has an interest on title for the land and building at 86 Earlwood drive, Peterborough, Ontario.

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2019

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% (2018 - 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, 2019, no amount has been advanced against this lending facility.

5. Mortgage loans:

Property	Due date	Monthly payment	Rate	2019	2018
7 Forestwood Lane, Barrie	November 30, 2041	\$ 3,744	Prime + 0.75%	\$ 433,626	\$ 571,786
86 Earlwood Drive, Peterborough	November 28, 2043	1,734	4.80%	301,795	167,786
4681 Guy Avenue, Hanmer	May 1, 2042	1,538	3.38%	296,879	305,229
1179 Notre Dame, Embrun	November 28, 2043	1,964	Prime + 0.75%	269,952	—
				1,302,252	1,044,801
Less current portion				50,301	44,583
				\$ 1,251,951	\$ 1,000,218

Future principal payments required on all long-term debt for the next five years, and thereafter, are as follows:

2020	\$ 50,301
2021	50,979
2022	51,619
2023	52,287
2024	52,924
Thereafter	1,044,142
	\$ 1,302,252

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2019

5. Mortgage loans (continued):

The mortgages are secured by a general security agreement, which includes 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 \$2,362,000, which represent a first charge on the underlying real properties located at 2009 Craig Road, 7 Forestwood Lane, 41 Ridgeview Crescent, 86 Earlwood Drive, 4681 Guy Avenue and 1179 Notre Dame Street.

6. Forgivable loans:

Municipality	Effective date	Term	2019	2018
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	600,000	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
City of Peterborough	June 25, 2018	20 years	202,500	–
City of Ottawa	December 31, 2018	35 years	–	–
			\$ 3,611,929	\$ 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, The City of London, The Regional Municipality of Waterloo and The County of Simcoe, The City of Peterborough and The City of Ottawa for the entire term of the agreement. As at year end, funds related to the City of Ottawa forgivable loan had not been received.

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

During the year, the Organization receive \$316,500 in funds (2018 - nil).

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2019

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:

	2019	2018
Balance, beginning of year	\$ 409,896	\$ 465,936
Transfers from Community Donation Fund	252,586	–
Amortization	(92,581)	(56,040)
Balance, end of year	\$ 569,901	\$ 409,896

Unamortized Province of Ontario restricted transfers:

	2019	2018
Balance, beginning of year	\$ 1,674,346	\$ 1,492,008
Additional restricted amounts received	17,000	431,900
Amortization	(234,941)	(249,562)
Balance, end of year	\$ 1,456,405	\$ 1,674,346

8. Net assets invested in property and equipment:

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

	2019	2018
Net book value	\$ 10,176,385	\$ 9,899,315
Mortgage loans used for purchases	(1,302,252)	(1,044,801)
Forgivable loans used for purchases	(3,611,929)	(3,295,429)
Unamortized Community Donation Fund restricted transfers	(569,901)	(409,896)
Unamortized Province of Ontario restricted transfers	(1,456,405)	(1,674,346)
Net assets invested in property and equipment	\$ 3,235,898	\$ 3,474,843

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2019

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

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

	2019	2018
Purchases	\$ 1,302,663	\$ 1,531,701
Amortization of property and equipment	(990,468)	(940,014)
Disposals	(35,125)	(269,836)
Amortization of restricted fund transfers	327,522	305,602
Restricted fund transfers	(269,586)	(431,900)
Loan activity for loans used to purchase property and equipment	(573,951)	(148,910)
Change in net assets invested in property and equipment	\$ (238,945)	\$ 46,643

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:

	2019	2018
Contingent restricted fund	\$ 207,229	\$ 204,422
Strategic restricted fund	227,543	138,854
	\$ 434,772	\$ 343,276

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2019

10. Lease commitments:

Future minimum annual commitments are as follows:

2020	\$ 214,000
2021	181,000
2022	172,000
2023	154,000
2024	126,000
Thereafter	32,000

11. Economic dependence:

88% (2018 - 87%) of the Organization's revenue is from the Province of Ontario.

12. Risk management:

(a) Interest rate risk:

Certain of the Organization's mortgage loans have variable interest rates. As a result, the Organization is exposed to interest rate risk due to fluctuations in the variable rates.

(b) Liquidity risk:

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 2018.

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2019

13. Subsequent events:

Subsequent to March 31, 2019, the Organization signed an agreement to purchase a new home in Sudbury, Ontario in the amount of \$362,500. The purchase will be funded partially from the sale proceeds of a previous house and a mortgage.

Subsequent to March 31, 2019, the Organization secured additional bank financing in the amount of \$285,121 to fund the purchase of the new home. Interest on this financing is at prime plus 0.75% with monthly principal payments of \$950. The financed amount is secured with a mortgage on one of the Organization's homes.