

Financial Statements of

**DEAFBLIND ONTARIO
SERVICES**

And Independent Auditors' Report thereon

Year ended March 31, 2021



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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, 2021
- 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, 2021, 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.

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, 2021 and March 31, 2020



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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, 2021 and March 31, 2020
- 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, 2021 and March 31, 2020
- the excess (deficiency) of revenues over expenses reported in the statements of cash flows for the years ended March 31, 2021 and March 31, 2020.

Our opinion on the financial statements for the year ended March 31, 2020 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.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Annual Report 2021.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual Report 2021 as at the date of this auditors' report.

If, based on the work we have performed in this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.



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.



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- 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.
- 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 15, 2021

DEAFBLIND ONTARIO SERVICES

(Incorporated under the laws of Ontario without share capital)

Statement of Financial Position

March 31, 2021, with comparative information for 2020

| | 2021 | 2020 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 511,186 | \$ 145,953 |
| Accounts receivable (note 12) | 459,170 | 712,673 |
| Prepaid expenses | 165,857 | 125,664 |
| | <u>1,136,213</u> | <u>984,290</u> |
| Community Donation Fund net assets (note 2) | 59,366 | 672,699 |
| Capital assets (note 3) | 10,745,520 | 11,819,473 |
| | <u>\$ 11,941,099</u> | <u>\$ 13,476,462</u> |

Liabilities and Net Assets

| | | |
|---|----------------------|----------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 1,223,256 | \$ 1,357,114 |
| Government remittances payable | 127,360 | 82,712 |
| Mortgage loans - current portion (note 5) | 19,758 | 54,370 |
| | <u>1,370,374</u> | <u>1,494,196</u> |
| Mortgage loans (note 5) | 671,454 | 1,476,045 |
| Forgivable loans (note 6) | 4,824,539 | 4,429,539 |
| Unamortized Community Donation Fund restricted transfers (note 7) | 560,877 | 629,873 |
| Unamortized Province of Ontario restricted transfers (note 7) | 1,306,825 | 1,499,915 |
| Net assets: | | |
| Invested in capital assets (note 8) | 3,362,067 | 3,729,731 |
| Community Donation Fund surplus | 59,366 | 672,699 |
| Operating Fund deficit | (214,403) | (455,536) |
| | <u>3,207,030</u> | <u>3,946,894</u> |
| Lease commitments (note 10) | | |
| Economic dependence (note 11) | | |
| Subsequent event (note 15) | | |
| | <u>\$ 11,941,099</u> | <u>\$ 13,476,462</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, 2021, with comparative information for 2020

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Revenue: | | |
| Province of Ontario subsidy | \$ 16,464,642 | \$ 14,786,730 |
| Accommodation and care service fees | 746,692 | 718,074 |
| Other (note 12) | 217,369 | 416,193 |
| Amortization of restricted transfers (note 7) | 559,050 | 327,869 |
| | <u>17,987,753</u> | <u>16,248,866</u> |
| Expenses: | | |
| Salaries | 9,636,540 | 9,074,571 |
| Benefits | 1,904,447 | 1,896,219 |
| Professional fees (note 13) | 1,297,251 | 1,373,965 |
| Amortization of capital assets | 1,126,031 | 1,114,929 |
| Administrative salaries | 697,211 | 686,659 |
| Programming and supplies (note 13) | 681,333 | 446,889 |
| Training | 192,581 | 265,004 |
| Utilities and telephone | 214,608 | 212,111 |
| Rent (note 12) | 272,524 | 211,507 |
| Maintenance, repairs and replacements | 273,400 | 203,583 |
| Travel | 89,292 | 198,566 |
| Vehicle operation and maintenance | 78,531 | 170,075 |
| Advertising and promotion | 98,718 | 78,247 |
| Board | 29,962 | 70,376 |
| Interest | 32,994 | 68,816 |
| Bank charges | 61,756 | 64,574 |
| Insurance | 66,597 | 63,502 |
| Other | 50,136 | 51,574 |
| Recruitment | 22,656 | 10,914 |
| Contribution to DeafBlind Ontario Foundation (note 12) | 1,302,468 | — |
| | <u>18,129,036</u> | <u>16,262,081</u> |
| Deficiency of revenue over expenses | \$ (141,283) | \$ (13,215) |

See accompanying notes to financial statements.

DEAFBLIND ONTARIO SERVICES

Statement of Community Donation Fund Revenue and Expenses

Year ended March 31, 2021, with comparative information for 2020

| | 2021 | 2020 |
|---|---------------------|------------------|
| Revenue: | | |
| Fundraising activities (note 12) | \$ 388,104 | \$ 213,464 |
| Donations | – | 125,651 |
| Other | 886 | 54,463 |
| Unrealized loss on investments | – | (10,133) |
| | <u>388,990</u> | <u>383,445</u> |
| Expenses: | | |
| Operating | 596 | 277,413 |
| Fundraising activities | – | 63,438 |
| Contributions to DeafBlind Ontario Foundation (note 12) | 986,975 | – |
| Other | – | 3,784 |
| | <u>987,571</u> | <u>344,635</u> |
| Excess (deficiency) of revenue over expenses | <u>\$ (598,581)</u> | <u>\$ 38,810</u> |

See accompanying notes to financial statements.

DEAFBLIND ONTARIO SERVICES

Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

| | | | | 2021 | 2020 |
|---|----------------------------------|---|---------------------|---------------------|---------------------|
| | Invested in capital assets | Community Donation Fund (note 9) | Operating Fund | Total | Total |
| Net assets, beginning of year | \$ 3,729,731 | \$ 672,699 | \$ (455,536) | \$ 3,946,894 | \$ 3,921,299 |
| Excess (deficiency) of revenue over expenses | – | (598,581) | (141,283) | (739,864) | 25,595 |
| Fund transfers | – | (37,747) | 37,747 | – | – |
| Restricted fund transfers (note 7) | – | 22,995 | (22,995) | – | – |
| Change in net assets invested in capital assets (note 8) | (367,664) | – | 367,664 | – | – |
| Net assets, end of year | \$ 3,362,067 | \$ 59,366 | \$ (214,403) | \$ 3,207,030 | \$ 3,946,894 |

See accompanying notes to financial statements.

DEAFBLIND ONTARIO SERVICES

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess (deficiency) of revenue over expenses | \$ (739,864) | \$ 25,595 |
| Items not involving cash: | | |
| Amortization of capital assets | 1,126,031 | 1,114,929 |
| Amortization of restricted transfers | (559,050) | (327,869) |
| Contribution to DeafBlind Ontario Foundation | 1,302,468 | – |
| Change in non-cash operating working capital: | | |
| Accounts receivable | 253,503 | (401,925) |
| Prepaid expenses | (40,193) | 20,446 |
| Accounts payable and accrued liabilities | (133,858) | 626,764 |
| Government remittances payable | 44,648 | 2,707 |
| | <u>1,253,685</u> | <u>1,060,647</u> |
| Financing activities: | | |
| Increase in mortgage loans | – | 290,000 |
| Repayment of mortgage loans | (18,964) | (61,837) |
| Increase in forgivable loans | 395,000 | 817,610 |
| Net transfers from Community Donation Fund | 613,333 | (175,018) |
| Increase in unamortized restricted transfers | 296,964 | 431,351 |
| | <u>1,286,333</u> | <u>1,302,106</u> |
| Investing activities: | | |
| Additions to capital assets | (2,174,785) | (2,758,017) |
| Increase (decrease) in cash | 365,233 | (395,264) |
| Cash, beginning of year | 145,953 | 541,217 |
| Cash, end of year | <u>\$ 511,186</u> | <u>\$ 145,953</u> |
| Supplemental cash flow information: | | |
| Contribution of land to DeafBlind Ontario Foundation | \$ 315,000 | \$ – |
| Contribution of buildings to DeafBlind Ontario Foundation | 1,807,707 | – |
| Transfer of mortgage loans to DeafBlind Ontario Foundation | (820,239) | – |

See accompanying notes to financial statements.

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements

Year ended March 31, 2021

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 capital assets for which provincial funding is not available. During the year, the Community Donation Fund operations and certain assets and liabilities were transferred to a related entity as described in note 12.

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) Reporting controlled and related entity:

The Organization controls DeafBlind Ontario Foundation (the "Foundation"), a not-for-profit entity. The Organization controls the Foundation by virtue of the governance structure. The Organization has elected to not consolidate this entity and provides the required note disclosure in note 12.

(c) 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 individuals supported, collection is reasonably assured and all significant obligations have been fulfilled. Revenue from donations is recorded when collected.

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

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.

(d) Capital assets:

Capital assets 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% |

Leasehold improvements are amortized over the lesser of the term of the lease or their useful life. Construction in progress is not amortized until the asset is available for productive use.

Capital assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to the Organization's ability to provide services, or that the value of future economic benefits or service potential associated with the capital assets are less than their net carrying amounts.

(e) Donated 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.

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

Donated materials are recorded at fair values at the time of receipt when fair values can be reasonable estimated.

(f) Restricted fund transfers:

Contributions received to purchase capital assets are deferred and amortized in the statement of operating fund revenue and expenses on the same basis as the related capital asset is amortized.

(g) 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.

2. Community Donation Fund net assets:

| | 2021 | 2020 |
|---|------------------|-------------------|
| Cash | \$ 460,977 | \$ 304,077 |
| Investments (note 12) | – | 456,837 |
| Accounts receivable | 4,100 | 310,660 |
| Prepaid expenses | – | 887 |
| Accounts payable and accrued liabilities | – | (30) |
| Due to DeafBlind Ontario Foundation (note 12) | (405,711) | – |
| Restricted donation receipts and deferred revenue | – | (399,732) |
| | <u>\$ 59,366</u> | <u>\$ 672,699</u> |

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2021

3. Capital assets:

| | | | 2021 | 2020 |
|---------------------------|---------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | \$ 1,622,364 | \$ – | \$ 1,622,364 | \$ 1,937,363 |
| Buildings | 5,453,333 | 2,225,647 | 3,227,686 | 4,235,401 |
| Building improvements | 7,785,973 | 3,341,015 | 4,444,958 | 3,570,491 |
| Furnishings and equipment | 1,317,736 | 759,229 | 558,507 | 383,636 |
| Vehicles | 1,080,479 | 392,563 | 687,916 | 464,335 |
| Leasehold improvements | 207,796 | 3,707 | 204,089 | – |
| Construction in progress | – | – | – | 1,228,247 |
| | \$ 17,467,681 | \$ 6,722,161 | \$ 10,745,520 | \$ 11,819,473 |

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 Lane, Barrie, Ontario, and the City of Peterborough has an interest on title for the land and building at 86 Earlwood Drive, Peterborough, Ontario.

During the year, certain assets were transferred to a related entity as described in note 12.

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% (2020 - 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. The Organization is subject to certain financial and non-financial covenants as part of the lending facility. As at March 31, 2021, the Organization was in compliance with these covenants.

As at March 31, 2021, no amount (2020 - nil) has been advanced against this lending facility.

As at March 31, 2021, \$130,000 (2020 - \$130,000) of letters of credit were outstanding.

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2021

5. Mortgage loans:

| Property | Due date | Monthly payment | Rate | 2021 | 2020 |
|---------------------------------|-------------------|-----------------|---------------|------------|--------------|
| 7 Forestwood Lane, Barrie | November 30, 2041 | \$ 2,429 | 4.25% | \$ 402,904 | \$ 414,884 |
| 86 Earlwood Drive, Peterborough | November 28, 2043 | 1,734 | 4.80% | 288,308 | 295,292 |
| 4681 Guy Avenue, Hanmer | May 1, 2042 | 1,999 | Prime + 0.75% | – | 284,772 |
| 1179 Notre Dame, Embrun | November 28, 2043 | 1,571 | Prime + 0.75% | – | 259,008 |
| 4707 Jacqueline St., Hanmer | June 6, 2044 | 1,729 | Prime + 0.75% | – | 276,459 |
| | | | | 691,212 | 1,530,415 |
| Less current portion | | | | 19,758 | 54,370 |
| | | | | \$ 671,454 | \$ 1,476,045 |

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

| | |
|------------|------------|
| 2022 | \$ 19,758 |
| 2023 | 20,607 |
| 2024 | 21,457 |
| 2025 | 22,498 |
| 2026 | 23,510 |
| Thereafter | 583,382 |
| | \$ 691,212 |

The mortgages are secured by a general security agreement, 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 \$1,776,400 which represent a first charge on the underlying real properties located at 7 Forestwood Lane, 41 Ridgeview Crescent, 86 Earlwood Drive and 2009 Craig Road.

During the year, certain mortgages were transferred to a related party as described in note 12.

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2021

6. Forgivable loans:

| Municipality/organization | Effective date | Term | 2021 | 2020 |
|---|--------------------|----------|---------------------|---------------------|
| 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 | 600,000 |
| 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 | 250,000 | 250,000 |
| City of Ottawa | December 31, 2018 | 35 years | 763,110 | 763,110 |
| CMHC Seed Funding | June 5, 2019 | 2 years | 7,000 | 7,000 |
| CMHC National Housing Co-Investment Fund | March 6, 2020 | 20 years | 395,000 | — |
| | | | \$ 4,824,539 | \$ 4,429,539 |

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, the County of Simcoe, The City of Peterborough and The City of Ottawa for the entire term of the agreement.

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

During the year, the Organization received \$395,000 in funds (2020 - \$817,610).

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2021

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 capital assets. These restricted contributions are deferred and amortized into revenues on the same basis as the amortization of the purchased capital asset. The balances at year end consist of the following:

Unamortized Community Donation Fund restricted transfers:

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Balance, beginning of year | \$ 629,873 | \$ 569,901 |
| Transfers from Community Donation Fund | 22,995 | 147,328 |
| Amortization | (91,991) | (87,356) |
| Balance, end of year | \$ 560,877 | \$ 629,873 |

Unamortized Province of Ontario restricted transfers:

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Balance, beginning of year | \$ 1,499,915 | \$ 1,456,405 |
| Additional restricted amounts received | 273,969 | 284,023 |
| Amortization | (467,059) | (240,513) |
| Balance, end of year | \$ 1,306,825 | \$ 1,499,915 |

8. Net assets invested in capital assets:

The net assets invested in capital assets consist of the following:

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Net book value | \$ 10,745,520 | \$ 11,819,473 |
| Mortgage loans used for purchases | (691,212) | (1,530,415) |
| Forgivable loans used for purchases | (4,824,539) | (4,429,539) |
| Unamortized Community Donation Fund restricted transfers | (560,877) | (629,873) |
| Unamortized Province of Ontario restricted transfers | (1,306,825) | (1,499,915) |
| Net assets invested in capital assets | \$ 3,362,067 | \$ 3,729,731 |

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2021

8. Net assets invested in capital assets (continued):

The change in net assets invested in capital assets is calculated as follows:

| | 2021 | 2020 |
|---|---------------------|-------------------|
| Purchases | \$ 2,174,785 | \$ 2,758,017 |
| Amortization of capital assets | (1,126,031) | (1,114,929) |
| Disposals | (2,122,707) | – |
| Amortization of restricted fund transfers | 559,050 | 327,869 |
| Restricted fund transfers | (296,964) | (431,351) |
| Loan activity for loans used to purchase capital assets | 444,203 | (1,045,773) |
| Change in net assets invested in capital assets | \$ (367,664) | \$ 493,833 |

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:

| | 2021 | 2020 |
|----------------------------|-------------|-------------------|
| Contingent restricted fund | \$ – | \$ 246,123 |
| Strategic restricted fund | – | 262,312 |
| | \$ – | \$ 508,435 |

During the year, certain assets from the internally restricted funds were transferred to a related party as described in note 12.

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2021

10. Lease commitments:

Future minimum annual commitments are as follows:

| | |
|------|------------|
| 2022 | \$ 257,000 |
| 2023 | 241,000 |
| 2024 | 215,000 |
| 2025 | 119,000 |
| 2026 | 5,000 |

11. Economic dependence:

The Organization receives 90% (2020 - 89%) of its revenue from the Province of Ontario. The Organization's continuing operations are dependent on the continuance of these grants.

12. Related party transactions and balances:

During the year, the Organization transferred the following assets and liabilities to the Foundation.

| | |
|--|--------------------|
| Investments | \$ 628,497 |
| Land | 315,000 |
| Buildings | 1,807,707 |
| | <hr/> 2,751,204 |
| Less mortgage loans transferred | 820,239 |
| Contribution to DeafBlind Ontario Foundation | <hr/> \$ 1,930,965 |

Effective April 1, 2020, the Organization entered into various lease agreements with the Foundation to rent these properties and provide certain administrative support services to the Foundation in exchange for a service fee at an exchange amount agreed upon by both parties. Included in rent expense is \$90,000 (2020 - nil) paid to the Foundation during the year.

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2021

12. Related party transactions and balances (continued):

During the year, the Organization contributed \$358,478 of restricted contributions to the Foundation. The Organization also paid for and charged back certain expenses and administrative services on behalf of the Foundation. The Foundation also rents office space from the Organization for a fee. Included in other revenue is \$6,820 related to the rental of office space. Included in accounts receivable is \$123,153 (2020 - nil) of amounts due from the Foundation.

Amounts due to/from DeafBlind Ontario Foundation are unsecured, non-interest bearing with no fixed terms of repayment. Transactions are measured at the exchange amount of consideration established and agreed to by the related parties.

A summary of the financial information for the Foundation for the year ended March 31, 2021 is as follows:

| | |
|---|---------------------|
| Statement of financial position: | |
| Total assets | \$ 3,604,005 |
| Total liabilities | 2,461,355 |
| Net assets | \$ 1,142,650 |
| Statement of revenue and expenses: | |
| Revenue | \$ 1,153,222 |
| Expenses | 325,572 |
| Excess of revenue over expenses | \$ 827,650 |
| Statement of cash flows: | |
| Cash flows from operating activities | \$ 1,143,312 |
| Cash flows used in investing activities | (616,456) |
| Cash flows used in financing activities | (35,192) |

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2021

13. Risk management:

During the year, the COVID-19 outbreak was declared a pandemic by World Health Organization and has had a significant financial, market and social dislocating impact. This has resulted in governments worldwide, including the Canadian and provincial governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption in Canada to fundraising efforts. Management has taken measures to manage this risk and is actively monitoring the situation to minimize its impact to the Organization. Professional fees for the current year include nil (2020 - \$150), and programming and supplies include \$84,419 (2020 - \$1,123), and repairs and maintenance include \$4,480 (2020 - nil) of COVID-19 related expenses.

(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. There has been no change in the risk exposure since 2020.

(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 in the risk exposure since 2020.

14. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

15. Subsequent event:

On April 1, 2021, by a Letters Patent of Amalgamation, DeafBlind Ontario Services and Array Community Support Services were amalgamated under the laws of Ontario, and continue under the amalgamated name DeafBlind Ontario Services.

DEAFBLIND ONTARIO SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2021

15. Subsequent event (continued):

The amalgamated corporation is a not-for-profit organization incorporated without share capital under the laws of the Province of Ontario. The amalgamated organization is a registered charity that helps individuals who are deafblind, deaf, hard of hearing or non-verbal to increase their independence and improve their quality of life through specialized services.

The amalgamated corporation possesses all of the property, rights, privileges and franchises and is subject to all of the liabilities, and all contracts and debts of each of the amalgamating corporations.