

Financial Statements of

**DEAFBLIND ONTARIO
FOUNDATION**

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 Foundation

Qualified Opinion

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

- the statement of financial position as at March 31, 2021
- the statement of 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 statement of financial position as at March 31, 2021
- the donations revenue and excess of revenue over expenses reported in the statement of revenue and expenses for the year ended March 31, 2021



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- the fund balances, at the beginning and end of the year, reported in the statement of changes in net assets for the year ended March 31, 2021
- the excess of revenue over expenses reported in the statement of cash flows for the year ended March 31, 2021.

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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- 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 2, 2021

DEAFBLIND ONTARIO FOUNDATION

(Incorporated under the laws of Ontario without share capital)

Statement of Financial Position

March 31, 2021

Assets

Current assets:

Cash and cash equivalents	\$	491,664
Accounts receivable		811
Due from DeafBlind Ontario Services (note 8)		405,711
Prepaid expenses		5,341
		<hr/>
		903,527

Investments (note 2) 668,153

Capital assets (notes 3 and 8) 2,032,325

\$ 3,604,005

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued liabilities (note 8)	\$	139,820
Government remittances payable		85
Deferred revenue (note 8)		598,308
Mortgage loans - current portion (note 4)		35,191
		<hr/>
		773,404

Mortgage loans (note 4) 749,856

Unamortized restricted capital contributions (note 5) 938,095


Net assets:

Invested in capital assets (note 8)		309,183
Internally Restricted Fund (note 6)		628,497
Operating fund		204,970
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		1,142,650

\$ 3,604,005

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

DEAFBLIND ONTARIO FOUNDATION

Statement of Revenue and Expenses

Year ended March 31, 2021

Revenue:		
Fundraising activities	\$	93,545
Donations		185,591
Contribution from Deafblind Ontario Services (note 8)		628,497
Other (note 8)		124,176
Amortization of restricted capital contributions		49,373
Investment income		72,040
		<hr/>
		1,153,222
Expenses:		
Operating (note 8)		174,679
Amortization of capital assets		90,382
Fundraising activities		32,924
Interest		27,587
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		325,572
Excess of revenue over expenses	\$	<hr/>
		827,650

See accompanying notes to financial statements.

DEAFBLIND ONTARIO FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2021

	Invested in capital assets	Internally Restricted Fund	Operating Fund	Total
Net assets, beginning of year	\$ –	\$ –	\$ –	\$ –
Excess (deficiency) of revenue over expenses	(41,009)	–	868,659	827,650
Contribution of land (note 8)	315,000	–	–	315,000
Restricted fund transfers (note 7)	–	628,497	(628,497)	–
Change in net assets invested in capital assets (note 6)	35,192	–	(35,192)	–
Net assets, end of year	\$ 309,183	\$ 628,497	\$ 204,970	\$ 1,142,650

See accompanying notes to financial statements.

DEAFBLIND ONTARIO FOUNDATION

Statement of Cash Flows

Year ended March 31, 2021

Cash provided by (used in):

Operating activities:

Excess of revenue over expenses	\$ 827,650
Items not involving cash:	
Amortization of capital assets	90,382
Amortization of restricted capital contributions	(49,373)
Unrealized gain on investments	(51,697)
Change in non-cash operating working capital:	
Accounts receivable	(811)
Due from DeafBlind Ontario Services	(405,711)
Prepaid expenses	(5,341)
Accounts payable and accrued liabilities	139,820
Government remittances payable	85
Deferred revenue	598,308
	<hr/> 1,143,312

Financing activities:

Repayment of mortgage loans	(35,192)
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Investing activities:

Increase in investments	(616,456)
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Increase in cash and cash equivalents, being cash and cash equivalents, end of year	<hr/> \$ 491,664
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Supplemental cash flow information:

Contribution of land from DeafBlind Ontario Services	\$ 315,000
Contribution of buildings from DeafBlind Ontario Services	1,807,707
Assumption of mortgage loans from DeafBlind Ontario Services	(820,239)

See accompanying notes to financial statements.

DEAFBLIND ONTARIO FOUNDATION

Notes to Financial Statements

Year ended March 31, 2021

DeafBlind Ontario Foundation (the "Foundation") is a registered charity registered as a public foundation with the Canada Revenue Agency. The Foundation is a not-for-profit organization and was incorporated without share capital under the laws of the Province of Ontario on April 12, 2019. The Foundation commenced operations on April 1, 2020. The Foundation had no financial activity between April 12, 2019 and April 1, 2020. The Foundation was established to provide specially adapted residential accommodation, assistive devices and equipment, and fund recreational programs for individuals who are deafblind, and inspire investment in the future of individuals with deafblindness.

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) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisitions. These financial assets are convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(c) Revenue recognition:

Revenue from donations and fundraising activities are recorded when collected.

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

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

Rental income is recognized in accordance with the underlying lease terms. To the extent that rent include free-rent periods and rental increases over the term of the lease, income is recognized on a straight-line basis over the term of the lease.

DEAFBLIND ONTARIO FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

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

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

(f) Financial instruments:

Financial assets and liabilities are recognized when the Foundation becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognized when the rights and obligations to receive or repay cash flows from the assets and liabilities have expired or have been transferred and the Foundation has transferred substantially all the risks and rewards of ownership.

Financial instruments are recorded at fair value on initial recognition and subsequently at amortized cost except for investments, which are recorded at fair value. Changes in fair value are recognized in the statement of revenue and expenses.

DEAFBLIND ONTARIO FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines whether there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of: (i) the present value of the expected cash flows; (ii) the amount that could be realized from selling the financial asset; or (iii) the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value. Impairments are recognized through the use of an allowance account, with a corresponding charge in the statement of revenue and expenses.

(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. Investments:

Money market	\$ 274,105
Fixed income securities	111,522
Canadian equities	138,979
U.S. equities	143,547
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	\$ 668,153

DEAFBLIND ONTARIO FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

3. Capital assets:

	Cost	Accumulated amortization	Net book value
Land	\$ 315,000	\$ –	\$ 315,000
Buildings	1,807,707	90,382	1,717,325
	<u>\$ 2,122,707</u>	<u>\$ 90,382</u>	<u>\$ 2,032,325</u>

4. Mortgage loans:

Property	Due date	Monthly payment	Rate	Amount
4681 Guy Avenue, Hanmer	May 1, 2042	\$ 1,780	Prime + 0.75%	\$ 271,925
1179 Notre Dame, Embrun	November 28, 2043	1,558	Prime + 0.75%	248,064
4707 Jacqueline St., Hanmer	June 6, 2044	1,639	Prime + 0.75%	265,058
				<u>785,047</u>
Less current portion				35,191
				<u>\$ 749,856</u>

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

2022	\$ 35,191
2023	35,191
2024	35,191
2025	35,191
2026	35,191
Thereafter	609,092
	<u>\$ 785,047</u>

DEAFBLIND ONTARIO FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

4. Mortgage loans (continued):

The mortgages are secured by a general security agreement, which include a general security agreement representing a first charge on all Foundation's present and after acquired personal property. In addition, the security requires an assignment of rent and leases as well as fire and liability insurance. Furthermore, the mortgages are secured by continuing collateral mortgages in the aggregate principal amount of \$875,600 which represent a first charge on the underlying real properties located at 4681 Guy Avenue, 4707 Jacqueline Ave and 1179 Notre Dame.

5. Unamortized restricted capital contributions:

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

Balance, beginning of year	\$	–
Net contributions of capital assets from DeafBlind Ontario Services		987,468
Amortization		(49,373)
Balance, end of year	\$	938,095

6. Net assets invested in capital assets:

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

Net book value	\$	2,032,325
Mortgage loans assumed		(785,047)
Unamortized restricted capital contributions		(938,095)
Net assets invested in capital assets	\$	309,183

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

Repayment of mortgage loans	\$	35,192
Change in net assets invested in capital assets	\$	35,192

DEAFBLIND ONTARIO FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

7. Internally restricted funds:

The Board of Directors established two internally restricted funds to provide the Foundation 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 DeafBlind Ontario Services and the Foundation'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.

In accordance with the agreements between DeafBlind Ontario Services with Canada Mortgage and Housing Corporation ("CMHC") and with Investment in Affordable Housing ("IAH"), a replacement reserve fund has been established by the Foundation. The Replacement Reserve Funds are a part of the strategic restricted funds and are funded by an annual transfer of funds from the operating fund.

These internally restricted funds balances as at March 31, 2021 are as follows:

Contingent restricted fund	\$ 283,040
Strategic restricted fund	345,457
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	\$ 628,497

DEAFBLIND ONTARIO FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

8. Related party transactions and balances:

The Foundation is controlled by DeafBlind Ontario Services by virtue of the governance structure. During the year, DeafBlind Ontario Services transferred the following assets and liabilities to the Foundation:

Investments	\$ 628,497
Land	315,000
Buildings	1,807,707
Less: mortgage loans assumed	(820,239)
Contribution from DeafBlind Ontario Services	\$ 1,930,965

Effective April 1, 2020, DeafBlind Ontario Services 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 other income is \$90,000 rental income received from Deafblind Ontario Services during the year.

During the year, DeafBlind Ontario Services contributed \$358,478 of restricted contributions to the Foundation. As at March 31, 2021, the entire contribution remains in deferred revenue.

During the year, on behalf of the Foundation, DeafBlind Ontario Services paid for and charged back certain expenses and administrative services. The Foundation also rents office space from DeafBlind Ontario Services for a fee. Included in operating expenses is \$6,820 related to the rental of office space. Included in accounts payable and accrued liabilities is \$123,153 of amounts due to DeafBlind Ontario Services.

Amounts due to/from DeafBlind Ontario Services 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.

DEAFBLIND ONTARIO FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Risk management:

During the year, the COVID-19 outbreak was declared a pandemic by the 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 Foundation.

(a) Interest rate risk:

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

(b) Liquidity risk:

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

(c) Market price risk:

Market price risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose the Foundation to a risk of loss. The Foundation mitigates this risk through controls to monitor and limit concentration levels.