

Financial Statements of

**DEAFBLIND ONTARIO
FOUNDATION**

And Independent Auditors' Report thereon

Year ended March 31, 2022



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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, 2022
- 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, 2022, 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, 2022
- the donations revenue and excess of revenue over expenses reported in the statement of revenue and expenses for the year ended March 31, 2022



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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, 2022
- the excess of revenue over expenses reported in the statement of cash flows for the year ended March 31, 2022.

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.



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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.
- 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 1, 2022

DEAFBLIND ONTARIO FOUNDATION

(Incorporated under the laws of Ontario without share capital)

Statement of Financial Position

March 31, 2022, with comparative information for 2021

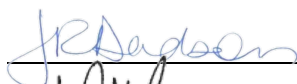

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 951,607 | \$ 491,664 |
| Accounts receivable | 6,215 | 811 |
| Due from DeafBlind Ontario Services (note 8) | 41,608 | 405,711 |
| Prepaid expenses | 6,611 | 5,341 |
| | <u>1,006,041</u> | <u>903,527</u> |
| Investments (note 2) | 783,667 | 668,153 |
| Capital assets (note 3) | 1,941,943 | 2,032,325 |
| | <u>\$ 3,731,651</u> | <u>\$ 3,604,005</u> |

Liabilities and Net Assets

| | | |
|---|---------------------|---------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 8) | \$ 151,690 | \$ 139,820 |
| Government remittances payable | 384 | 85 |
| Deferred revenue (note 8) | 673,926 | 598,308 |
| Mortgage loans - current portion (note 4) | 35,191 | 35,191 |
| | <u>861,191</u> | <u>773,404</u> |
| Mortgage loans (note 4) | 714,665 | 749,856 |
| Unamortized restricted capital contributions (note 5) | 888,722 | 938,095 |
| Net assets: | | |
| Invested in capital assets (note 6) | 303,365 | 309,183 |
| Internally Restricted Fund (note 7) | 803,131 | 628,497 |
| Operating Fund | 160,577 | 204,970 |
| | <u>1,267,073</u> | <u>1,142,650</u> |
| | <u>\$ 3,731,651</u> | <u>\$ 3,604,005</u> |

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, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|-------------------|-------------------|
| Revenue: | | |
| Fundraising activities | \$ 96,032 | \$ 93,545 |
| Donations | 163,763 | 185,591 |
| Contribution from Deafblind Ontario Services (note 8) | – | 628,497 |
| Other (note 8) | 124,176 | 124,176 |
| Amortization of restricted capital contributions | 49,373 | 49,373 |
| Investment income | 40,918 | 72,040 |
| | <u>474,262</u> | <u>1,153,222</u> |
| Expenses: | | |
| Operating (note 8) | 201,407 | 174,679 |
| Amortization of capital assets | 90,382 | 90,382 |
| Fundraising activities | 31,110 | 32,924 |
| Interest | 26,940 | 27,587 |
| | <u>349,839</u> | <u>325,572</u> |
| Excess of revenue over expenses | <u>\$ 124,423</u> | <u>\$ 827,650</u> |

See accompanying notes to financial statements.

DEAFBLIND ONTARIO FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

| | | | | 2022 | 2021 |
|---|-------------------------------|----------------------------------|-------------------|---------------------|---------------------|
| | Invested in capital assets | Internally Restricted Fund | Operating Fund | Total | Total |
| Net assets, beginning of year | \$ 309,183 | \$ 628,497 | \$ 204,970 | \$ 1,142,650 | \$ – |
| Excess (deficiency) of revenue over expenses | (41,009) | – | 165,432 | 124,423 | 827,650 |
| Contribution of land | – | – | – | – | 315,000 |
| Restricted fund transfers (note 7) | – | 174,634 | (174,634) | – | – |
| Change in net assets invested in capital assets (note 6) | 35,191 | – | (35,191) | – | – |
| Net assets, end of year | \$ 303,365 | \$ 803,131 | \$ 160,577 | \$ 1,267,073 | \$ 1,142,650 |

See accompanying notes to financial statements.

DEAFBLIND ONTARIO FOUNDATION

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|--|------------|------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenue over expenses | \$ 124,423 | \$ 827,650 |
| Items not involving cash: | | |
| Amortization of capital assets | 90,382 | 90,382 |
| Amortization of restricted capital contributions | (49,373) | (49,373) |
| Unrealized gain on investments | (115,514) | (51,697) |
| Change in non-cash operating working capital: | | |
| Accounts receivable | (5,404) | (811) |
| Due from DeafBlind Ontario Services | 364,103 | (405,711) |
| Prepaid expenses | (1,270) | (5,341) |
| Accounts payable and accrued liabilities | 11,870 | 139,820 |
| Government remittances payable | 299 | 85 |
| Deferred revenue | 75,618 | 598,308 |
| | 495,134 | 1,143,312 |
| Financing activities: | | |
| Repayment of mortgage loans | (35,191) | (35,192) |
| Investing activities: | | |
| Increase in investments | – | (616,456) |
| Increase in cash and cash equivalents | 459,943 | 491,664 |
| Cash and cash equivalents, beginning of year | 491,664 | – |
| Cash and cash equivalents, end of year | \$ 951,607 | \$ 491,664 |
| 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, 2022

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 accommodations, assistive devices and equipment, and fund recreational programs for individuals who are deafblind, deaf, hard of hearing or non-verbal 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 assets 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, 2022

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% |
|-----------|----|

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 capital assets, 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, 2022

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:

| | 2022 | 2021 |
|-------------------------|-------------------|-------------------|
| Money market | \$ 308,200 | \$ 274,105 |
| Fixed income securities | 113,342 | 111,522 |
| Canadian equities | 162,409 | 138,979 |
| U.S. equities | 163,490 | 143,547 |
| Foreign equities | 36,226 | – |
| | <u>\$ 783,667</u> | <u>\$ 668,153</u> |

DEAFBLIND ONTARIO FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

3. Capital assets:

| | | | 2022 | 2021 |
|-----------|---------------------|--------------------------|---------------------|---------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | \$ 315,000 | \$ – | \$ 315,000 | \$ 315,000 |
| Buildings | 1,807,707 | 180,764 | 1,626,943 | 1,717,325 |
| | \$ 2,122,707 | \$ 180,764 | \$ 1,941,943 | \$ 2,032,325 |

4. Mortgage loans:

| Property | Due date | Monthly payment | Rate | 2022 | 2021 |
|--------------------------------|----------------------|-----------------|---------------|-------------------|-------------------|
| 4681 Guy Avenue, Hanmer | May 1, 2042 | \$ 1,780 | Prime + 0.75% | \$ 259,078 | \$ 271,925 |
| 1179 Notre Dame, Embrun | November 28, 2043 | 1,558 | Prime + 0.75% | 237,120 | 248,064 |
| 4707 Jacqueline St., Hanmer | June 6, 2044 | 1,639 | Prime + 0.75% | 253,658 | 265,058 |
| | | | | 749,856 | 785,047 |
| Less current portion | | | | 35,191 | 35,191 |
| | | | | \$ 714,665 | \$ 749,856 |

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

| | |
|------------|-------------------|
| 2023 | \$ 35,191 |
| 2024 | 35,191 |
| 2025 | 35,191 |
| 2026 | 35,191 |
| 2027 | 35,191 |
| Thereafter | 573,901 |
| | \$ 749,856 |

DEAFBLIND ONTARIO FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

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 St. 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:

| | 2022 | 2021 |
|--|------------|------------|
| Balance, beginning of year | \$ 938,095 | \$ – |
| Net contributions of capital assets from DeafBlind Ontario Services | – | 987,468 |
| Amortization | (49,373) | (49,373) |
| Balance, end of year | \$ 888,722 | \$ 938,095 |

6. Net assets invested in capital assets:

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

| | 2022 | 2021 |
|--|--------------|--------------|
| Net book value | \$ 1,941,943 | \$ 2,032,325 |
| Mortgage loans assumed | (749,856) | (785,047) |
| Unamortized restricted capital contributions | (888,722) | (938,095) |
| Net assets invested in capital assets | \$ 303,365 | \$ 309,183 |

DEAFBLIND ONTARIO FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

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

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

| | 2022 | 2021 |
|---|-----------|-----------|
| Repayment of mortgage loans | \$ 35,191 | \$ 35,192 |
| Change in net assets invested in capital assets | \$ 35,191 | \$ 35,192 |

7. Internally restricted funds:

The Board of Directors established two internally restricted funds to provide the Foundation with financial stability and flexibility over the long 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, non-recurring 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 funds.

These internally restricted funds balances as at March 31, 2022 are as follows:

| | 2022 | 2021 |
|----------------------------|------------|------------|
| Contingent restricted fund | \$ 310,001 | \$ 283,040 |
| Strategic restricted fund | 493,130 | 345,457 |
| | \$ 803,131 | \$ 628,497 |

DEAFBLIND ONTARIO FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

8. Related party transactions and balances:

The Foundation is controlled by DeafBlind Ontario Services by virtue of the governance structure.

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 (2021 - \$90,000) rental income received from DeafBlind Ontario Services during the year.

During the year, DeafBlind Ontario Services contributed nil (2021 - \$358,478) of restricted contributions to the Foundation. As at March 31, 2022, the entire contribution remains in deferred revenue.

During the year, the Foundation contributed \$57,000 (2021 - nil) to DeafBlind Ontario Services towards a mortgage payment.

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 \$1,846 (2021 - \$6,820) related to the rental of office space. Included in accounts payable and accrued liabilities is \$133,549 (2021 - \$123,153) of amounts due to DeafBlind Ontario Services.

In addition, an amount of \$41,608 (2021 - \$405,711) is receivable from the DeafBlind Ontario Services - Community Donation Fund.

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, 2022

9. Risk management:

(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 and cash forecasts 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.