Non-consolidated Financial Statements of

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Year ended March 31, 2019

These non-consolidated financial statements and the associated notes reflect the audited financial statements and notes

Deloitte.

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# Independent Auditor's Report

To the National Board of Directors and Members of
The Canadian National Institute for the Blind

## Opinion

We have audited the non-consolidated financial statements of The Canadian National Institute for the Blind ("CNIB"), which comprise the non-consolidated statement of financial position as at March 31, 2019, and the non-consolidated statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "non-consolidated financial statements").

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of CNIB as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements* section of our report. We are independent of CNIB in accordance with the ethical requirements that are relevant to our audit of the non-consolidated 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 audit opinion.

## Responsibilities of Management and Those Charged with Governance for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS 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 these non-consolidated financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated 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 CNIB'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 CNIB's

ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated 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 auditor's report. However, future events or conditions may cause CNIB to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of CNIB to express an opinion on the non-consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

Chartered Professional Accountants
Licensed Public Accountants
June 12, 2019

**THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND**

Non-consolidated Statement of Financial Position
(In thousands of dollars)
March 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 790 | $ 983 |
| Accounts receivable and pre-payments | 5,021 | 3,607 |
| Mortgage receivable – current portion | – | 2,000 |
| Inventories and supplies | 1,356 | 1,322 |
| | 7,167 | 7,912 |
| Mortgage receivable | – | 5,925 |
| Accrued pension asset (note 2) | 12,067 | 9,587 |
| Investments - general (note 3) | 51,717 | 55,397 |
| Investments – endowments (note 3) | 11,458 | 11,285 |
| Capital assets (note 4) | 25,507 | 24,250 |
| | $ 107,916 | $ 114,356 |

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Non-consolidated Statement of Financial Position
(In thousands of dollars)
March 31, 2019 with comparative information for 2018

| | 2019 | 2018 |
|---|---|---|
| **Liabilities, Deferred Contributions and Fund Balances** | | |
| Current liabilities: | | |
| Bank indebtedness (note 5) | $ 1,991 | $ 479 |
| Deferred gain on sale of capital assets – current portion (note 6) | 1,086 | 1,157 |
| Accounts payable and accrued liabilities | 5,583 | 7,632 |
| Due to related organizations (note 19) | 886 | – |
| | 9,546 | 9,268 |
| Deferred gain on sale of capital assets (note 6) | 7,626 | 8,712 |
| Deferred contributions: | | |
| Expenses of future periods (note 7) | 8,559 | 11,699 |
| Capital assets (note 8) | 8,664 | 9,717 |
| | 24,849 | 30,128 |
| | $ 34,395 | $ 39,396 |
| Fund balances: | | |
| Endowments (note 9) | 10,617 | 10,539 |
| Invested in capital assets (note 10) | 16,345 | 14,258 |
| Internally restricted reserve (note 11) | 44,850 | 44,275 |
| Unrestricted operating fund | 1,709 | 5,888 |
| | 73,521 | 74,960 |
| Commitments and contingencies (note 13) | | |
| | $ 107,916 | $ 114,356 |

See accompanying notes to the non-consolidated financial statements.

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Non-consolidated Statement of Operations and Changes in Fund Balances
(In thousands of dollars)
Year ended March 31, 2019 with comparative information for 2018

| | Unrestricted operating fund | Internally restricted reserves | Invested in capital assets | Endowments | 2019 Total | 2018 Total |
|---|---|---|---|---|---|---|
| | | (note 11) | (note 10) | (note 9) | | |
| Revenue: | | | | | | |
| Support from the public | $ 19,243 | $ 8,459 | $ – | $ 8 | $ 27,710 | $ 24,703 |
| Government funding towards programs and services | 5,608 | – | – | – | 5,608 | 31,939 |
| Retail lottery and gaming operations | 10,571 | – | – | – | 10,571 | 9,634 |
| Investment | – | 703 | – | 377 | 1,080 | 2,997 |
| Rent | 1,053 | – | – | – | 1,053 | 729 |
| Fees for service | 347 | – | – | – | 347 | 1,068 |
| Consumer products and assistive technology sales | 3,537 | – | – | – | 3,537 | 3,813 |
| Amortization of deferred capital contributions (note 10) | – | – | 1,464 | – | 1,464 | 1,841 |
| Other general expenses | 879 | – | – | 47 | 926 | 926 |
| Gain on sale of capital assets (note 6) | 1,955 | – | – | – | 1,955 | 10,466 |
| | 43,193 | 9,162 | 1,464 | 432 | 54,251 | 88,116 |
| Rehabilitation and deaf-blind services (note 19) | 37,849 | – | – | – | 37,849 | – |
| | 81,042 | 9,162 | 1,464 | 432 | 92,100 | 88,116 |

**THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND**

Non-consolidated Statement of Operations and Changes in Fund Balances
(In thousands of dollars)
Year ended March 31, 2019 with comparative information for 2018

| | Unrestricted operating fund | Internally restricted reserves | Invested in capital assets | Endowments | 2019 Total | 2018 Total |
|---|---|---|---|---|---|---|
| | | (note 11) | (note 10) | (note 9) | | |
| Expenses: | | | | | | |
| Program: | | | | | | |
| Community-based programs and services | 28,873 | – | 1,379 | 432 | 30,684 | 55,901 |
| Other: | | | | | | |
| Fund development (note 14) | 12,563 | – | 138 | – | 12,701 | 11,972 |
| Retail lottery and gaming operations | 7,592 | – | 29 | – | 7,621 | 7,531 |
| Corporate services | 1,776 | 18 | 162 | – | 1,956 | 1,898 |
| Other | 1,702 | – | 407 | – | 2,109 | 887 |
| Restructuring | 186 | – | – | – | 186 | 534 |
| | 23,819 | 18 | 736 | – | 24,573 | 22,822 |
| | 52,692 | 18 | 2,115 | 432 | 55,257 | 78,723 |
| Rehabilitation and deaf-blind services (note 19) | 38,487 | – | – | – | 38,487 | – |
| | 91,179 | 18 | 2,115 | 432 | 93,744 | 78,723 |

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Non-consolidated Statement of Operations and Changes in Fund Balances
(In thousands of dollars)
Year ended March 31, 2019 with comparative information for 2018

| | Unrestricted operating fund | Internally restricted reserve | Invested in capital assets | Endowments | 2019 Total | 2018 Total |
|---|---|---|---|---|---|---|
| | | (note 11) | (note 10) | (note 9) | | |
| (Deficiency) excess of revenue over expenses | $ (10,137) | $ 9,144 | $ (651) | $ – | $ (1,644) | $ 9,393 |
| Authorized transfer to fund program expenses (note 11) | 9,348 | (9,348) | – | – | – | – |
| | **(789)** | **(204)** | **(651)** | **–** | **(1,644)** | **9,393** |
| Invested in capital assets (note 10) | (2,738) | – | 2,738 | – | – | – |
| Endowment contributions (note 9) | – | – | – | 78 | 78 | 589 |
| Internal restriction – property sale proceeds and purchases (note 11) | (779) | 779 | – | – | – | – |
| Pension plan remeasurement (note 2) | 127 | – | – | – | 127 | (6,876) |
| Net change | (4,179) | 575 | 2,087 | 78 | (1,439) | 3,106 |
| Fund balances, beginning of the year | 5,888 | 44,275 | 14,258 | 10,539 | 74,960 | 71,854 |
| Fund balances, end of the year | $ 1,709 | $ 44,850 | $ 16,345 | $ 10,617 | $ 73,521 | $ 74,960 |

See accompanying notes to the non-consolidated financial statements.

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Non-consolidated Statement of Cash Flows
(In thousands of dollars)
Year ended March 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities: | | |
| (Deficiency) excess of revenues over expenses | $ (1,644) | $ 9,393 |
| Items not involving cash: | | |
| Change in fair value of investments | (636) | (3,393) |
| Amortization of capital assets | 2,115 | 2,039 |
| Amortization of deferred contributions related to expenses of future periods | (33,997) | (29,740) |
| Amortization of deferred contributions related to capital assets | (1,464) | (1,841) |
| Gain on sale of capital assets | (1,955) | (9,323) |
| Pension expense | 541 | 1,049 |
| Pension employer contributions | (2,894) | (2,262) |
| Deferred contributions related to expenses of future periods | 31,197 | 34,595 |
| Change in non-cash working capital (note 16) | (2,611) | 1,898 |
| | (11,348) | 2,415 |
| Financing activities: | | |
| Repayment of property loans | – | (6,798) |
| Repayment of term loan | – | (7,502) |
| Deferred contributions related to capital assets | 71 | 793 |
| Endowments | 78 | 589 |
| | 149 | (12,918) |

## THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Non-consolidated Statement of Cash Flows (continued)
(In thousands of dollars)
Year ended March 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---|---|---|
| Investing activities: | | |
| Proceeds from disposal of capital assets | 2,668 | 55,712 |
| Sale of investments | 12,291 | 1,500 |
| Purchase of investments | (8,148) | (36,533) |
| Mortgage receivable | 7,925 | (7,925) |
| Purchase of capital assets | (5,242) | (2,182) |
| | 9,494 | 10,572 |
| Change in cash and bank indebtedness | (1,705) | 69 |
| Cash and bank indebtedness, beginning of year | 504 | 435 |
| (Bank indebtedness) cash, end of year | $ (1,201) | $ 504 |
| Cash and bank indebtedness is comprised of: | | |
| Cash | $ 790 | $ 983 |
| Bank indebtedness | (1,991) | (479) |
| | $ (1,201) | $ 504 |
| Supplemental disclosure of cash flow | | |
| Deferred gain related to sale of capital assets | $ (8,712) | $ (9,869) |
| Change in deferred capital gain | (1,157) | 9,762 |

See accompanying notes to the non-consolidated financial statements.

The Canadian National Institute for the Blind ("CNIB") was incorporated on March 30, 1918 by Letters Patent under the Companies Amendment Act of 1917, and in September 2013 continued under the Canada Not-for-profit Corporations Act. CNIB's mission is to change what it is to be blind through innovative programs and powerful advocacy that enable Canadians impacted by blindness to live the lives they choose. CNIB is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

Effective April 1, 2018, CNIB transferred certain operations representing government funded rehabilitation and deafblind programs to two newly incorporated entities: Vision Loss Rehabilitation Canada (VLRC) and Deafblind Community Services (DBCS). Further information can be found in note 19.

## 1. Significant accounting policies:

These non-consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

### (a) Revenue recognition:

CNIB follows the deferral method of accounting for contributions, which include support from the public and government support.

Externally restricted contributions, other than endowments, are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in net assets in the year in which they are received.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

## 1. Significant accounting policies (continued):

### (a) Revenue recognition (continued):

Income from investments includes the realized gains or losses from the sale of units of CNIB's managed investment funds, as well as interest income and unrealized gains or losses for the year. Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from fees for service and sale of consumer products and assistive technology is recognized when the services are provided or the goods are sold.

Unrestricted contributions of legacies or bequests and investment income, including realized or unrealized gains or losses, are reported within the internally restricted reserve funds as support from the public and investment revenue respectively. Incidental rent revenue and related operating costs associated with renting excess capacity in CNIB facilities is reported in the unrestricted operating fund as rent revenue and other costs.

### (b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. CNIB has elected to carry its investments at fair value. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

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, CNIB determines if 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 the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount CNIB 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.

## 1. Significant accounting policies (continued):

### (c) Inventories and supplies:

Inventories and supplies are recorded at the lower of cost on a first-in, first-out basis, and net realizable value.

### (d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets are amortized over the estimated life of the assets. Repairs and maintenance costs are charged to expense. If a capital asset no longer contributes to CNIB's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

| | |
|---|---|
| Buildings | 2.5% |
| Computer equipment and software | 14.3% - 33.3% |
| Vehicles | 25.0% - 33.3% |
| Furniture and office equipment | 25.0% |
| Leasehold improvements | Term of lease |

### (e) Contributed services:

CNIB benefits from substantial services in the form of volunteer time to fulfill its mission. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

### (f) Employee future benefits:

CNIB administers the Pension Plan for Employees of CNIB. The plan has a defined benefit provision and a defined contribution provision. Employees with greater than two years of service are eligible to join the defined contribution provision, while the defined benefit provision was closed to new entrants effective June 2010. The benefits of the defined benefit provision are based on years of service, years of contributions and final average earnings. The defined benefit provision includes the basic and excess benefits plans. CNIB does not provide any significant non-pension, post-retirement benefits.

## 1. Significant accounting policies (continued):

### (f) Employee future benefits (continued):

CNIB uses the immediate recognition approach to account for its defined benefit provision. CNIB accrues its obligations under the defined benefit provision as employees render the services necessary to earn the pension benefits. The actuarial determination of the accrued benefit obligations for pensions uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The most recent actuarial valuation of the benefit provision for funding purposes was as of December 31, 2017, and the next required valuation will be as December 31, 2020 and once completed will be filed in the normal course.

Actuarial gains (losses) on defined benefit provision assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. For the purpose of calculating the expected return on defined benefit provision assets, the assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation.

The cost of the defined contribution provision is based on a percentage of the employee's pensionable earnings.

### (g) Allocation of expenses:

CNIB classifies expenses on the statement of operations and changes in fund balances by function. General support expenses are allocated by identifying the appropriate drivers such as operational activities, square footage, employee count, and applying these bases consistently.

(in thousands of dollars except as noted)

## 1. Significant accounting policies (continued):

### (h) Use of estimates:

The preparation of non-consolidated financial statements in accordance with Canadian accounting standards for non-for-profit organizations 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 non-consolidated financial statements, and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount and useful lives of capital assets and obligations related to employee future benefits. Actual results could differ from these estimates.

## 2. Accrued pension asset:

The accrued pension asset represents the fair value of the defined benefit provision assets in excess of the accrued defined benefit provision obligation.

| | 2019 | 2018 |
|---|---|---|
| Accrued pension obligation | $ 112,618 | $ 117,893 |
| Fair value of defined benefit provision assets | 124,685 | 127,480 |
| Accrued benefit asset | $ 12,067 | $ 9,587 |

Defined benefit provision assets consist of:

| | 2019 | 2018 |
|---|---|---|
| Equities | 54% | 58% |
| Canadian fixed income securities and cash | 39% | 36% |
| Real estate | 7% | 6% |
| Total | 100% | 100% |

(in thousands of dollars except as noted)

## 2. Accrued pension asset (continued):

The significant actuarial assumptions adopted in measuring CNIB's accrued pension asset are as follows:

| | 2019 | 2018 |
|---|---|---|
| Accrued benefit obligation: | | |
| Discount rate | 5.67% | 5.15% |
| Rate of compensation increase | 2.25% | 2.25% |
| Benefit costs: | | |
| Discount rate | 5.15% | 5.78% |
| Rate of compensation increase | 2.25% | 2.25% |

The change in this balance is calculated as follows:

| | 2019 | 2018 |
|---|---|---|
| Balance, beginning of year | $ 9,587 | $ 15,250 |
| Employer contributions | 2,894 | 2,262 |
| Remeasurements in the statement of changes in net assets | 127 | (6,876) |
| CNIB's defined benefit provision expense for the current year was as follows: | | |
| Current service cost | (1,035) | (1,931) |
| Interest | 494 | 882 |
| Net pension service cost | (541) | (1,049) |
| Balance, end of year | $ 12,067 | $ 9,587 |

CNIB’s defined contribution provision expense for the current year was $733 (2018 - $653).

(in thousands of dollars except as noted)

## 3. Investments:

| General | 2019 | 2018 |
|---|---|---|
| Canadian fixed income securities and cash | $ 187 | $ 1,202 |
| Canadian equities | 10,442 | 12,189 |
| U.S. and global equities | 19,538 | 21,723 |
| Investments held in pooled funds | 21,550 | 20,283 |
| Total | $ 51,717 | $ 55,397 |

| Endowments | 2019 | 2018 |
|---|---|---|
| Canadian fixed income securities and cash | $ 42 | $ 444 |
| Canadian equities | 2,313 | 1,510 |
| U.S. and global equities | 4,329 | 4,057 |
| Investments held in pooled funds | 4,774 | 5,274 |
| Total | $ 11,458 | $ 11,285 |

The table below applies to both general and endowment investment funds.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Average term to maturity | Average effective yield | Average term to maturity | Average effective yield |
| Canadian Fixed Income | 0.1 years | 2.3% | 0.1 years | 1.3% |
| Fixed income securities held within pooled funds | 9.8 years | 2.3% | 9.8 years | 2.6% |

(in thousands of dollars except as noted)

## 4. Capital assets:

| | Cost | Accumulated amortization | 2019 Net book value | 2018 Net book value |
|---|---|---|---|---|
| Land | $ 6,659 | $ – | $ 6,659 | $ 7,548 |
| Buildings and leaseholds | 29,211 | 13,475 | 15,736 | 13,792 |
| Computer equipment and software | 12,478 | 10,619 | 1,859 | 1,609 |
| Vehicles | 1,574 | 1,082 | 492 | 653 |
| Furniture and office equipment | 5,387 | 4,626 | 761 | 648 |
| | $ 55,309 | $ 29,802 | $ 25,507 | $ 24,250 |

## 5. Bank indebtedness:

CNIB has a credit facility available to fund operations and capital expenditures, totalling $4 million at prime plus 0.25%. This amount is due upon demand and is secured by a general security agreement.

## 6. Deferred gain on sale of capital assets:

Concurrent with the sale of the CNIB Centre in April 2017, CNIB entered into a 10-year leaseback agreement with the purchaser for 72,344 square feet of the CNIB Centre resulting in a deferral of $10.9 million of the gain to be recognized on a straight line basis over the term of the lease. $1.1 million (2018 - $1.1 million) of the deferred gain was recognized and included in the gain on sale of capital assets leaving an unamortized gain of $8,712 (2018 - $9,869).

(in thousands of dollars except as noted)

## 7. Deferred contributions – expenses of future periods:

Deferred contributions are related to the funding of expenses of future periods representing unspent, externally restricted contributions including funding related to endowments of $841 (2018 - $746).

| | 2019 | 2018 |
|---|---|---|
| Balance, beginning of year | $ 11,699 | $ 7,017 |
| Add: | | |
| Amount received in the year | 31,522 | 34,382 |
| Less: | | |
| Amount recognized as revenue in the year | (33,997) | (29,740) |
| Amount transferred to deferred contributions - capital assets | (340) | (173) |
| Investment market fluctuation | (325) | 213 |
| Balance, end of year | $ 8,559 | $ 11,699 |

Amounts that have been received may be used for capital purposes once capital budgets have been approved. These amounts will then be transferred to deferred contributions - capital assets.

## 8. Deferred contributions - capital assets:

Deferred contributions related to capital assets represent the unamortized amount of restricted contributions received for the purchase of capital assets.

| | 2019 | 2018 |
|---|---|---|
| Balance, beginning of year | $ 9,717 | $ 10,592 |
| Add: | | |
| Amount received in the year | 71 | 793 |
| Amount transferred from deferred contributions - expenses of future periods | 340 | 173 |
| Less: | | |
| Amount recognized as revenue in the year | (1,464) | (1,841) |
| Balance, end of year | $ 8,664 | $ 9,717 |

(in thousands of dollars except as noted)

## 9. Endowments:

CNIB has received a number of externally restricted contributions established as endowments where the principal amounts are preserved, and only net investment returns are available to be used for the intended purposes.

## 10. Invested in capital assets:

(a) CNIB has an investment in capital assets, which is calculated as follows:

| | 2019 | 2018 |
|---|---|---|
| Capital assets: | $ 25,507 | $ 24,250 |
| Amounts financed by: | | |
| Deferred capital contributions | (8,664) | (9,717) |
| Accounts payable and accrued liabilities | (498) | (275) |
| | $ 16,345 | $ 14,258 |

(b) The change in this balance is calculated as follows:

| | 2019 | 2018 |
|---|---|---|
| Deficiency of revenue over expenditures: | | |
| Amortization of deferred capital contributions | $ 1,464 | $ 1,841 |
| Amortization of capital assets | (2,115) | (2,039) |
| | (651) | (198) |
| Net change in invested in capital assets: | | |
| Purchase of capital assets | 5,242 | 2,182 |
| Net book value of capital assets disposed | (1,870) | (36,627) |
| Amounts funded by: | | |
| Deferred capital contributions | (71) | (793) |
| Amount transferred from deferred contributions – expenses of future periods | (340) | (173) |
| Loans related to capital expenditures | – | 6,798 |
| Accounts payable and accrued liabilities | (223) | (236) |
| | 2,738 | (28,849) |
| | $ 2,087 | $ (29,047) |

(in thousands of dollars except as noted)

## 11. Internally restricted reserve funds:

The following schedule summarizes the activity within the internally restricted reserve funds:

| | Strategic reserve | Capital investment reserve | 2019 | 2018 |
|---|---|---|---|---|
| Balances, beginning of year | $ 8,838 | $ 35,437 | $ 44,275 | $ 7,269 |
| Revenue: | | | | |
| Support from the public | 8,459 | – | 8,459 | 6,671 |
| Investment | 466 | 237 | 703 | 2,840 |
| | 8,925 | 237 | 9,162 | 9,511 |
| Expenses | – | 18 | 18 | 91 |
| Excess of revenue over expenses | 8,925 | 219 | 9,144 | 9,420 |
| Transfers: | | | | |
| Authorized transfer to unrestricted operating fund | (7,756) | (1,592) | (9,348) | (5,947) |
| Internal restriction – property sale proceeds and purchases | – | 779 | 779 | 33,533 |
| | (7,756) | (813) | (8,569) | 27,586 |
| Balances, end of year | $ 10,007 | $ 34,843 | $ 44,850 | $ 44,275 |

## 11. Internally restricted reserve funds (continued):

(a) Strategic reserve:

The Board of Directors has designated certain fund balances as an internally restricted strategic reserve to provide financial stability and to manage earnings volatility inherent in certain uncontrollable revenue sources.

Certain funds, as described in note 1(a), are added to the internally restricted strategic reserve each year. The Board of Directors will determine, on an annual basis, the amount to be transferred to the unrestricted operating fund.

(b) Capital investment reserve:

The Board of Directors has designated certain fund balances equal to significant real capital dispositions as an internally restricted capital investment reserve (CIR). The CIR acts as the source of the fund balances to support the purchase of significant capital assets.

## 12. Endowment trust funds:

The Vancouver Foundation is a not-for-profit organization that receives and invests funds, and from these funds provides investment income to other not-for-profit organizations under the terms of the agreements with them or their donors. CNIB receives annual earnings from an endowment held for its benefit by the Vancouver Foundation. The capital of the fund is not available to CNIB and as such is not recorded in the financial statements.

During the year, CNIB received $99 (2018 - $92) of interest income from the Vancouver Foundation CNIB, BC – Yukon Division, Endowment Fund which had a market value as at March 31, 2019 of $2,692 (2018 - $2,645).

(in thousands of dollars except as noted)

## 13. Commitments and contingencies:

(a) Lease obligations:

CNIB has commitments with respect to operating leases for premises, vehicles and equipment. The minimum annual commitment under these leases is approximately as follows:

| | | |
|---|---|---|
| 2020 | $ | 4,984 |
| 2021 | | 3,671 |
| 2022 | | 3,195 |
| 2023 | | 2,539 |
| 2024 | | 1,990 |
| Thereafter | | 5,699 |

(b) Letters of credit:

CNIB has various standby letters of credit with a financial institution totaling $249 (2018 - $194) for operations and capital expenditures.

CNIB has a standby letter of credit with a financial institution totaling $376 (2018 - $15,756) to fund special contributions for its defined benefit pension plan.

## 14. Alberta reporting requirements:

The Alberta Charitable Fund-raising Act requires charitable organizations to disclose the remuneration paid to their Alberta employees whose principal duties involve fundraising. CNIB paid $86 (2018 - $196) to its Alberta fundraising employees which is included in the fund development costs.

(in thousands of dollars except as noted)

## 15. Allocation of expenses:

General support expenses have been allocated as follows:

| | 2019 | 2018 |
|---|---|---|
| Community-based programs and services | $ 1,499 | $ 2,543 |
| Fund development | 965 | 789 |
| Retail lottery and gaming operations | 75 | 101 |
| | $ 2,539 | $ 3,433 |

Fund development expenses are not allocated.

## 16. Change in non-cash working capital:

Change in non-cash working capital has been calculated as follows:

| | 2019 | 2018 |
|---|---|---|
| Accounts receivable and pre-payments | $ (1,414) | $ (84) |
| Inventory and supplies | (34) | (327) |
| Accounts payable and accrued liabilities | (2,049) | 2,309 |
| Due to related organizations | 886 | – |
| | $ (2,611) | $ 1,898 |

## 17. Financial risks:

(a) Interest rate risk:

CNIB is exposed to interest rate risk on its fixed rate financial instruments. Further details about the fixed rate investments are included in note 3 and CNIB has formal policies and procedures that establish target asset mix, minimum credit ratings and varying terms of the securities held. CNIB's bank indebtedness has a variable interest rate based on bank prime plus a margin. As a result, CNIB is exposed to interest rate risk due to fluctuations in the bank prime rate.

## 17. Financial risks (continued):

(b) Market risk:

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

(c) Currency:

CNIB is exposed to currency risk arising from gains and losses due to fluctuations in foreign currency exchange rates on CNIB's non-Canadian securities. Foreign currency risk is managed through construction of a diversified portfolio of instruments in various currencies.

(d) Credit risk:

CNIB is exposed to credit-related losses in the event of non-performance by counterparties to the financial instruments. Credit exposure is minimized by dealing with only creditworthy counterparties.

(e) Liquidity risk:

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

## 18. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

## 19. Controlled and related not-for-profit entities:

VLRC and DBCS operate with independent Boards of Directors. CNIB monitors activities of the new entities as the sole member and remains contingently liable for the financial activities of VLRC and DBCS. These entities deliver government funded programs as an agent of CNIB and directly for government programs from which they receive funding directly.

Under corporate services agreements with VLRC and DBCS effective April 1, 2018, CNIB agrees to perform financial management and administrative functions on behalf of the entities. The agreement is for an indefinite term but may be terminated by either party providing 90 days or more notice to the other organization. The administration costs are estimates based on actual costs of finance, information technology, human resources and other costs required to operate the entity in a cost efficient manner.

All intercompany transactions are measured at the exchange amount of consideration established and agreed to by the related organizations, and these transactions are within the normal course of operations. The amount due to VLRC and DBCS have no specified terms of repayment.

(in thousands of dollars except as noted)

## 19. Controlled and related not-for-profit entities (continued):

Revenues and expenses in these non-consolidated financial statements related to controlled and related not-for-profit entities are comprised of the following:

| Rehabilitation and deafblind services | 2019 |
|---|---|
| Revenue: | |
| Government support | $ 30,323 |
| Rent | 3,168 |
| Fee for service | 4,358 |
| | 37,849 |
| Expenses: | |
| Professional fees | 31,500 |
| Occupancy | 2,629 |
| Support services | 4,358 |
| | 38,487 |
| | $ (638) |

(a) VLRC:

VLRC was incorporated on May 10, 2017 under the Canada Not-for-profit Corporations Act by the issuance of a Certificate of Incorporation by the federal government through Corporations Canada. VLRC is a health services organization that provides training that enables people who are blind or partially sighted to develop or restore key daily living skills, helping enhance their independence, safety and mobility. VLRC's certified specialists work closely with ophthalmologists, optometrists and other health care professionals, providing essential care on a referral basis in homes and communities across Canada. VLRC is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

(in thousands of dollars except as noted)

## 19. Controlled and related not-for-profit entities (continued):

(a) VLRC (continued):

The following is a summary of the financial statements of VLRC:

| | | 2019 |
|---|---|---|
| Statement of financial position | | |
| Assets | $ | 992 |
| Liabilities | $ | 868 |
| Net Assets | $ | 124 |
| Statement of operations | | |
| Revenue | $ | 26,778 |
| Expenses | $ | 26,768 |
| Surplus | $ | 10 |
| Cash flows | | |
| Cash from operations | $ | 62 |
| Net cash position | $ | 62 |

Included in rehabilitation and deafblind services expenses are administrative services provided by CNIB in the amount of $1,964, in accordance with the corporate services agreement.

Included in rehabilitation and deafblind services revenue CNIB charged occupancy costs to VLRC at the market value of the space they occupied. These charges amounted to $3,002 in fiscal 2019.

VLRC provided rehabilitation services on behalf of CNIB in accordance with the terms and conditions of contracts with provincial governments. In fiscal 2019, a total of $24.1 million was paid to VLRC by CNIB with respect to these contracts which is reflected in rehabilitation and deafblind services expenses.

At the end of the fiscal year $742 was owing to VLRC by CNIB.

(in thousands of dollars except as noted)

## 19. Controlled and related not-for-profit entities (continued):

(b) DBCS:

DBCS was incorporated on July 27, 2017 under the Canadian Not-for-profit Corporations Act. DBCS is one of Ontario's leading providers of specialized support and emergency services for people who are Deafblind. DBCS is committed to promoting health by providing intervener services to enable deafblind persons to live as independently as possible; to operate educational programs in literacy, life skills and technology training for deafblind persons; and to provide support services, communication, assistance, and referral to other community services to deafblind persons as well as their caregivers and family members. DBCS is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The following is a summary of the financial statements of DBCS:

| | | 2019 |
|---|---|---|
| Statement of financial position | | |
| Assets | $ | 228 |
| Liabilities | $ | 215 |
| Net Assets | $ | 13 |
| | | |
| Statement of operations | | |
| Revenue | $ | 6,199 |
| Expenses | $ | 6,199 |
| Surplus | $ | – |
| | | |
| Cash flows | | |
| Cash from operations | $ | 31 |
| Net cash position | $ | 31 |

Included in rehabilitation and deafblind services expenses are administrative services provided by CNIB in the amount of $462, in accordance with the corporate services agreement.

## 19. Controlled and related not-for-profit entities (continued):

(b) DBCS (continued):

Included in rehabilitation and deafblind services revenue CNIB charged occupancy costs to DBCS at the market value of the space they occupied. These charges amounted to $166 in fiscal 2019.

DBCS provided Deafblind services on behalf of CNIB in accordance with the terms and conditions of contracts with the Ontario government. In fiscal 2019, a total of $6.2 million was paid to DBCS by CNIB with respect to these contracts which is reflected in rehabilitation and deafblind services expenses.

At the end of the fiscal year $144 was owing to DBCS by CNIB.