

Financial Statements of

**BRAIN INJURY SERVICES OF
HAMILTON**

Year ended March 31, 2019



KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton Ontario L8P 4W7
Canada
Telephone (905) 523-8200
Fax (905) 523-2222

INDEPENDENT AUDITORS' REPORT

To the Directors of Brain Injury Services of Hamilton

Opinion

We have audited the financial statements of the Brain Injury Services of Hamilton (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations 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 the notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility 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 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 opinion.



Responsibility 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.

Auditor's 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 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 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 risk 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, internal 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 purposes 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 the 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.

Draft

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

June 26, 2019

BRAIN INJURY SERVICES OF HAMILTON

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and short-term deposits (note 2)	\$ 2,118,363	\$ 2,685,504
Accounts receivable	506,678	375,479
Prepaid expenses	83,981	247,196
	<u>2,709,022</u>	<u>3,308,179</u>
Capital assets (note 3)	709,774	958,170
Marketable securities (note 4)	864,307	451,630
	<u>\$ 4,283,103</u>	<u>\$ 4,717,979</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 1,461,073	\$ 1,515,860
Due to Ministry of Health and Long-Term Care (note 6)	440,664	825,650
Due to Local Health Integration Network (note 6)	36,300	-
Current portion of mortgage payable (note 7)	16,886	16,571
	<u>1,954,923</u>	<u>2,358,081</u>
Mortgage payable (note 7)	72,263	89,149
Deferred contributions (note 8):		
Expenses of future periods	28,170	26,049
Capital assets	560,578	790,727
	<u>588,748</u>	<u>816,776</u>
Net assets:		
Net assets invested in capital assets (note 9)	60,047	61,723
Unrestricted net assets	1,607,122	1,392,250
	<u>1,667,169</u>	<u>1,453,973</u>
Commitments (note 10)		
	<u>\$ 4,283,103</u>	<u>\$ 4,717,979</u>

See accompanying notes to financial statements.

On behalf of the Board:





Director

Director

BRAIN INJURY SERVICES OF HAMILTON

Statement of Operations

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

	Reserve Non-Government Fund	Fundraising and other Non-Government Activities	Ministry of Health: Non-Profit Housing Fund	Ministry of Health Fund	Local Health Integration Network Fund	2019 Total	2018 Total
Revenue:							
Ministry of Health and Long-Term Care	\$ -	\$ -	\$ -	\$ 9,259,069	\$ -	\$ 9,259,069	\$ 9,249,734
Local Health Integration Network	-	-	-	-	3,149,566	3,149,566	3,190,882
Ministry of Health -- Non-Profit Housing	-	-	61,719	-	-	61,719	59,339
Hamilton Health Sciences Corporation	-	-	-	13,920	-	13,920	13,920
Recoveries of costs	-	-	-	366,629	86,604	453,233	413,315
Donations	-	50,478	-	17,436	3,287	76,700	3,051
Other fundraising	-	-	-	5,624	1,580	1,685	16,455
Grants	-	-	-	1,845	-	1,845	-
Interest	26,513	-	-	20,979	-	47,492	34,327
Fees	-	-	-	1,476,752	245,312	1,722,064	1,781,689
Rental, grocery and travel revenue	-	-	28,245	-	-	28,245	24,857
Amortization of deferred contributions related to capital assets	-	-	15,283	218,060	16,044	249,387	206,580
	26,513	50,458	105,247	11,380,314	3,502,393	15,064,925	14,994,149

BRAIN INJURY SERVICES OF HAMILTON

Statement of Operations (continued)

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

	Reserve Non-Government Fund	Fundraising and other Activities	Ministry of Health: Non-Profit Housing Funds	Ministry of Health Fund	Local Health Integration Network Fund	2019 Total	2018 Total
Expenses:							
Salaries and wages	\$ -	\$ -	\$ 2,772	\$ 7,873,877	\$ 2,610,808	\$ 10,487,457	\$ 10,146,000
Benefits	-	-	420	1,493,918	473,024	1,967,362	1,951,200
Supplies	-	927	32,167	302,215	49,913	385,222	405,199
Travel, training and communications	-	(178)	4,300	379,372	98,585	482,079	433,704
Equipment	-	-	2,373	150,904	53,418	206,695	326,709
Contracted services	-	-	-	106,820	41,102	147,922	108,645
Buildings and grounds	-	-	31,361	716,498	159,499	907,358	938,627
Amortization	-	-	31,854	218,060	17,720	267,634	224,431
	-	749	105,247	11,241,664	3,504,069	14,851,729	14,534,515
Excess (deficiency) of revenue over expenses	\$ 26,513	\$ 49,709	\$ -	\$ 138,650	\$ (1,676)	\$ 213,196	\$ 459,634

See accompanying notes to financial statements.

BRAIN INJURY SERVICES OF HAMILTON

Statement of Changes in Net Assets

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

2019	Invested in capital assets				Unrestricted net assets					2019 Total	
	Ministry of Health Fund	Ministry of Health and Non-profit Housing Fund	Local Health Integration Network Fund	Reserve Fund	Ministry of Health Fund	Ministry of Health Non-Profit Housing Fund	Reserve Fund	Local Health Integration Network	Fundraising and other Non-Government Activities		Personalized Support Program
Fund balance, beginning of year	\$ -	\$ -	\$ 7,236	\$ 54,487	\$ 9	\$ -	\$ 1,285,873	\$ -	\$ 102,439	\$ 3,929	\$ 1,453,973
Excess (deficiency) of revenue over expenses	-	-	(1,676)	-	138,650	-	26,513	-	49,709	-	213,196
Transfer	-	-	-	-	(138,659)	-	142,588	-	-	(3,929)	-
	\$ -	\$ -	\$ 5,560	\$ 54,487	\$ -	\$ -	\$ 1,454,974	\$ -	\$ 152,148	\$ -	\$ 1,667,169

See accompanying notes to financial statements.

BRAIN INJURY SERVICES OF HAMILTON

Statement of Changes in Net Assets (continued)

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

2018	Invested in capital assets				Unrestricted net assets					2018 Total	
	Ministry of Health Fund	Ministry of Health and Non-profit Housing Fund	Local Health Integration Network Fund	Reserve Fund	Ministry of Health Fund	Ministry of Health Non-Profit Housing Fund	Reserve Fund	Local Health Integration Network	Fundraising and other Non-Government Activities		Personalized Support Program
Fund balance, beginning of year	\$ -	\$ -	\$ 8,912	\$ 54,487	\$ 9	\$ -	\$ 826,555	\$ -	\$ 100,447	\$ 3,929	\$ 994,339
Excess (deficiency) of revenue over expenses	-	-	(1,676)	-	448,904	-	10,414	-	1,992	-	459,634
Transfer	-	-	-	-	(448,904)	-	448,904	-	-	-	-
	\$ -	\$ -	\$ 7,236	\$ 54,487	\$ 9	\$ -	\$ 1,285,873	\$ -	\$ 102,439	\$ 3,929	\$ 1,453,973

See accompanying notes to financial statements.

BRAIN INJURY SERVICES OF HAMILTON

Statement of Cash Flows

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

	2019	2018
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 213,196	\$ 459,634
Item not involving cash:		
Amortization of capital assets	267,634	224,431
Amortization of deferred contributions related to capital assets	(249,387)	(206,580)
Change in non-cash working capital balances arising from operating activities:		
Decrease (increase) in accounts receivable	(131,199)	409,034
Increase in prepaid expenses	163,215	(168,756)
Increase in accounts payable and accrued liabilities	(54,787)	338,130
(Decrease) increase in due to Ministry of Health and Long-Term Care	(384,986)	(576,513)
Increase in due to Local Health Integration Network	36,300	-
Increase (decrease) in deferred contributions related to expenses of future periods	2,121	2,782
	(137,893)	482,162
Financing and investing activities:		
Purchase of capital assets	19,238	238,479
Purchase of capital assets funded by deferred contributions	(19,238)	(238,479)
Repayment of mortgage	(16,571)	(16,175)
Net purchase of marketable securities	(412,677)	(163,360)
	(429,248)	(179,535)
Increase in cash and short-term deposits	(567,141)	302,627
Cash and short-term deposits, beginning of year	2,685,504	2,382,877
Cash and short-term deposits, end of year	\$ 2,118,363	\$ 2,685,504

See accompanying notes to financial statements.

BRAIN INJURY SERVICES OF HAMILTON

Notes to Financial Statements

Year ended March 31, 2018

Brain Injury Services of Hamilton (the "Organization") is a registered charity providing for the temporary lodging and rehabilitation needs for those who have sustained brain injuries. The Organization is incorporated under the laws of Ontario and is a registered charity under the Income Tax Act (Canada).

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit Organizations in Part III of the CPA Canada Handbook. The Organization follows the deferral method of accounting for contributions.

(a) Revenue recognition:

Restricted contributions are recognized as revenue in the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collections is reasonably assured.

(b) Fund accounting:

Revenues and expenses related to the delivery of Outreach, Group and Residential Services at Transitional Living Services and the John Reesor Centre are reported in the Local Health Integration Network Fund.

Revenues and expenses related to the delivery of Residential Services at Cathy Wever Place, Elmhurst Place, Ravenda Place, Kenny House, Campden Heights and Outreach Services for Individualized Funded Clients are reported in the Ministry of Health Fund.

Revenues and expenses related to the operation of the John Reesor Centre are reported in the Ministry of Health: Non-Profit Housing Fund.

(c) Cash and short-term deposits:

Cash is defined as cash and short-term deposits with original maturity dates or liquidity features of less than 1 year. The Organization's short-term deposits are considered to be cash equivalents and are recorded at cost, which approximates current market value.

(d) Capital assets:

Capital assets are stated at cost and amortization is provided on the straight-line method commencing in the month of acquisition, at the following annual rates:

Asset	Rate
Computer equipment	33.3%
Furniture and other equipment	20%
Building and building improvements	2.5%
Vehicles	5 year straight-line
Leasehold improvements	3 - 15 years straight-line

BRAIN INJURY SERVICES OF HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(e) Contributed services:

Volunteers contribute a significant number of hours per year to assist the Organization to carry out its service delivery activities. Due to the difficulty of determining their fair values, contributed services are not recognized in the financial statements.

(f) Income taxes:

The Organization is registered as a charitable organization without share capital under the Ontario Corporations Act. As such, the Organization is not liable for any federal or provincial income taxes under the provisions of the Income Tax Act (Canada).

(g) Use of estimates:

The preparation of the 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 results could differ from those estimates.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

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 Organization 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 the Organization 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.

BRAIN INJURY SERVICES OF HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Cash and short-term deposits:

Cash and short-term deposits is comprised of the following:

	Interest rate	Maturity date	Value at March 31, 2019
Cash	N/A	N/A	\$ 1,964,863
BNS redeemable 30 month special rate GIC	2.00%	Feb 14, 2020	153,500
Total cash and short-term deposits			\$ 2,118,363

At March 31, 2018, cash and short-term deposits was comprised of \$2,554,664 in cash and \$130,840 in similar short-term deposits.

3. Capital assets:

	March 31, 2019		
	Cost	Accumulated amortization	Net book value
Land	\$ 76,471	\$ -	\$ 76,471
Buildings	322,392	255,120	67,272
Building improvements	316,015	189,264	126,750
Furniture and equipment	251,108	220,865	30,243
Computer equipment	118,331	101,222	17,109
Leasehold improvements	1,717,765	1,458,951	258,815
Vehicles	405,553	272,439	133,114
	\$ 3,207,635	\$ 2,497,861	\$ 709,774

BRAIN INJURY SERVICES OF HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2019

3. Capital assets (continued):

	March 31, 2018		
	Cost	Accumulated amortization	Net book value
Land	\$ 76,471	\$ -	\$ 76,471
Buildings	322,392	238,549	83,843
Building improvements	316,015	164,029	151,986
Furniture and equipment	245,391	199,431	45,960
Computer equipment	118,331	90,248	28,083
Leasehold improvements	1,712,451	1,313,548	398,903
Vehicles	535,658	362,734	172,924
	<u>\$ 3,326,709</u>	<u>\$ 2,368,539</u>	<u>\$ 958,170</u>

4. Marketable securities:

At the end of the year, the Organization held the following marketable securities:

	Interest rate	Maturity date	Value at March 31, 2019
BNS long term redeemable GIC	2.70%	June 1, 2020	\$ 580,245
BNS 5 year special rate GIC	2.20%	Aug 15, 2022	153,502
BNS 5 year special rate GIC	2.75%	Apr 12, 2023	130,560
Total marketable securities			\$ 864,307

At March 31, 2018, marketable securities is comprised of \$451,630 held in three GIC's bearing interest at annual rates of 2.20%, 2.00% and 1.87%.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$243,950 (2018 - \$131,488), which includes amounts payable for payroll related taxes.

BRAIN INJURY SERVICES OF HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2019

6. Due to Ministry of Health and Long-Term Care and Local Health Integration Network:

These liabilities represent undistributed restricted Ministry of Health and Local Health Integration Network funds.

7. Mortgage payable:

	2019	2018
Long-term portion of mortgage payable	\$ 72,263	\$ 89,149
Current portion of mortgage payable	16,886	16,571
Total mortgage payable	\$ 89,149	\$ 105,720

The mortgage payable bears interest at a rate of 2.7% per annum and is repayable in monthly blended installments of \$1,589. The mortgage is due on April 1, 2024 and is insured by the Canada Mortgage and Housing Corporation. The mortgage is secured by the John Ressor Centre (net book value of \$194,023). The fair market value of the mortgage is approximately \$83,900 (2018 - \$99,200).

8. Deferred contributions:

(a) Expenses of future periods:

As required by the Ministry of Health Non-Profit Housing, the Organization has a replacement reserve fund to cover the cost of worn-out capital equipment, chattels or other items at the John Reesor Centre. Any expenditures from this fund require prior Ministry of Health approval. Deferred contributions related to expenses of future periods represent the balance in the replacement reserve fund.

	2018	2017
Balance, beginning of year	\$ 26,049	\$ 23,267
Add: amount received related to future periods	2,121	2,782
	\$ 28,170	\$ 26,049

BRAIN INJURY SERVICES OF HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Deferred contributions (continued):

(b) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount of Ministry of Health and Long-Term Care funding and fees received for the purchase of capital assets.

	2019	2018
Balance, beginning of year	\$ 790,727	\$ 758,828
Add: amount received related to future periods - Ministry of Health	19,238	234,903
Add: amount received related to future periods - Local Health Integration Network	-	3,576
Less: amounts amortized to revenue	(249,387)	(206,580)
	\$ 560,578	\$ 790,727

9. Net assets invested in capital assets:

Net assets invested in capital assets is calculated as follows:

	2019	2018
Capital assets	\$ 709,774	\$ 958,170
Amounts financed by deferred contributions	(560,578)	(790,727)
Amounts financed by debt	(89,149)	(105,720)
	\$ 60,047	\$ 61,723

BRAIN INJURY SERVICES OF HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2019

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

Change in net assets invested in capital assets is calculated as follows:

	2019	2018
Deficiency of revenues over expenses:		
Amortization of deferred contributions related to capital assets	\$ 249,387	\$ 206,580
Amortization of capital assets	(267,634)	(224,431)
	(18,247)	(17,851)
Net change in invested in capital assets:		
Purchase of capital assets	19,238	238,479
Amounts funded by deferred contributions	(19,238)	(238,479)
Repayment of long-term debt	16,571	16,175
	16,571	16,175
	\$ (1,676)	\$ (1,676)

10. Commitments:

Future minimum payments under operating leases for the Organization's premises and other equipment with remaining non-cancellable terms in excess of one year are as follows:

2020	\$ 663,855
2021	540,378
2022	479,214
2023	474,600
2024	220,760
Thereafter	908,800
	\$ 3,287,607

BRAIN INJURY SERVICES OF HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2019

11. Financial instruments:

(a) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

As all of the Organization's short-term deposits are carried at fair value with fair value changes recognized in the statement of financial position, all changes in market conditions will directly affect the financial position of the Organization.

Market price risk is managed by the Organization through construction of a low risk portfolio of instruments consisting of GIC's.

There has been no change in this risk from 2018.

(b) Liquidity risk:

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

There has been no change in this risk from 2018.

12. Subsequent event:

In the period following the year ended March 31, 2019, the Organization has undergone a name change and will be referred to by its new legal name, "Head Injury Rehabilitation Ontario."