F I N A N C I A L S T A T E M E N T S

For

TOTAL COMMUNICATION ENVIRONMENT

For year ended

MARCH 31, 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

TOTAL COMMUNICATION ENVIRONMENT

Opinion

We have audited the financial statements of Total Communication Environment (the Organization), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2021 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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

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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 these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization'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 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 the Organization 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.

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.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
June 28, 2021.

TOTAL COMMUNICATION ENVIRONMENT

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2021

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	$ 1,276,650	$ 762,936
Accounts receivable	207,944	188,146
Prepaid expenses	26,532	111,848
	1,511,126	1,062,930
CAPITAL ASSETS (note 4)	4,949,478	5,057,977
	$ 6,460,604	$ 6,120,907
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 872,913	$ 822,426
Deferred revenue	345,440	342,353
Current portion of long-term debt (note 5)	23,150	22,526
	1,241,503	1,187,305
LONG-TERM DEBT (note 5)	138,134	161,280
DEFERRED FUNDING RELATED TO CAPITAL ASSETS (note 6)	2,669,488	2,784,948
	4,049,125	4,133,533
NET ASSETS		
Invested in capital assets	2,118,706	2,089,223
Restricted to capital reserve fund (note 9)	115,244	110,806
Unrestricted	177,529	(212,655)
	2,411,479	1,987,374
	$ 6,460,604	$ 6,120,907

Approved by the Board:

.... Director

.... Director

(See accompanying notes)

TOTAL COMMUNICATION ENVIRONMENT

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2021

	2021	2020
Revenue		
MCCSS legal agreements	$ 12,110,197	$ 11,297,820
Residents' fees	1,040,611	1,034,156
Donations	425,907	146,137
Other income	536	3,465
Amortization of deferred funding related to capital assets	153,532	148,970
	13,730,783	12,630,548
Expenses		
Salaries and benefits	11,392,154	10,699,501
Home operation	613,269	542,094
Amortization	146,571	148,258
Personal needs	581,589	584,001
General and administration	144,374	97,689
Vehicle operations	185,885	286,444
Long-term care	95,275	118,721
Purchased services	141,672	108,935
Staff travel	5,889	28,841
	13,306,678	12,614,484
Excess of revenues over expenses	$ 424,105	$ 16,064

(See accompanying notes)

TOTAL COMMUNICATION ENVIRONMENT

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2021

	Invested in capital assets	Restricted to capital reserve fund (note 9)	Unrestricted	2021 Total	2020 Total
Balance, beginning of year	$ 2,089,223	$ 110,806	$ (212,655)	$ 1,987,374	$ 1,971,310
Excess of revenue over expenses	-	-	424,105	424,105	16,064
Acquisition of capital assets	38,072	-	(38,072)	-	-
Amortization of capital assets	(146,571)	-	146,571	-	-
Net decrease in debt principal (note 5)	22,522	-	(22,522)	-	-
Net change in deferred funding related to capital assets	115,460	-	(115,460)	-	-
Interfund transfer	-	4,438	(4,438)	-	-
Balance, end of year	$ 2,118,706	$ 115,244	$ 177,529	$ 2,411,479	$ 1,987,374

(See accompanying notes)

TOTAL COMMUNICATION ENVIRONMENT

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2021

	2021	2020
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 424,105	$ 16,064
Items not involving cash:		
Amortization of capital assets	146,571	148,258
Amortization of deferred funding relating to capital assets	(153,532)	(148,970)
	417,144	15,352
Changes in non-cash working capital components:		
Accounts receivable	(19,798)	(81,322)
Prepaid expenses	85,316	(97,459)
Accounts payable and accrued liabilities	50,487	(357,700)
Deferred revenue	3,087	194,555
	536,236	(326,574)
INVESTING ACTIVITIES		
Acquisition of capital assets	(38,072)	(74,838)
FINANCING ACTIVITIES		
Repayment of long-term debt	(22,522)	(22,620)
Additional deferred funding of capital assets	38,072	74,838
	15,550	52,218
INCREASE (DECREASE) IN CASH	513,714	(349,194)
CASH, BEGINNING OF YEAR	762,936	1,112,130
CASH, END OF YEAR	$ 1,276,650	$ 762,936

(See accompanying notes)

1. NATURE OF OPERATIONS

Total Communication Environment (the "Organization") was incorporated, without share capital, in November 1979 and has continued under the Canada Not-For-Profit Corporations Act. The Organization's mandate is to provide and maintain residential care facilities and activities for individuals with developmental disabilities and special communication needs. As a registered charitable organization, the Organization is not subject to income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition

The Organization follows the deferral method of accounting for contributions for not-for-profit organizations.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or when they become receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital assets

Capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of a capital asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Land and buildings are recorded at cost. Buildings are amortized using the declining balance basis at the rate of 5%. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

Vehicles not funded by grants are recorded at cost and amortized using the declining balance basis at the rate of 30% per year.

Office equipment and computer equipment are recorded at cost and amortized on a straight-line basis over five years and three years, respectively.

Capital replacement reserve fund

The fund is to be used for capital replacement and major repair work. The fund is increased by amounts as approved by the Ministry of Children, Community and Social Services ("MCCSS").

Contributed services

Volunteers contribute many hours each year to assist the Organization in carrying out its mandate. However, due to the difficulty in determining their fair value, these contributed services have not been recognized in the financial statements.

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 revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

Financial instruments

The organization initially records its financial assets and liabilities at fair value. The organization subsequently measures its cash at fair value at the date of the statement of financial position. All other financial instruments are subsequently recorded at cost or amortized cost at the date of the statement of financial position.

3. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations at March 31, 2021.

The Organization does not use derivative financial instruments to manage its risks.

Credit risk

The Organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Organization's maximum exposure to credit risk is the carrying value of its cash and its accounts receivable. The Organization's cash is deposited with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote. The Organization manages the credit risk of accounts receivable by reviewing monthly aged accounts receivable balances and following up on outstanding amounts. For the year ended March 31, 2021, the Organization believes that all significant accounts are collectible and as such has provided no amounts for doubtful accounts (2020 - $nil).

Liquidity risk

Liquidity risk is the risk that the Organization cannot meet a demand for cash or fund its obligations as they become due. The Organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flow from operations and by anticipating investing and financing activities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) *Currency risk*

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The Organization's financial instruments are all denominated in Canadian dollars and the Organization transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

ii) *Interest rate risk*

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

As discussed in note 5, the Organization manages this risk by holding long-term debt with fixed interest rates.

iii) *Other price risk*

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Organization is not exposed to other price risk.

Changes in risk

There have been no significant changes in the Organization's risk exposures from the prior year.

4. CAPITAL ASSETS

Capital assets consist of the following:

	2021 Cost	2021 Accumulated amortization	2021 Net book value	2020 Net book value
Land	$ 2,560,000	$ -	$ 2,560,000	$ 2,560,000
Baxter House (Golden Avenue Residence)	650,026	389,575	260,451	274,158
Anderson Place residence	170,727	74,374	96,353	101,425
Eleanor Drive residence	345,526	243,661	101,865	107,227
Hillmount Crescent residence	400,455	201,671	198,784	209,247
Kirkwood Avenue residence	665,643	403,385	262,258	276,061
Quinn Road residence	665,331	368,550	296,781	312,401
Riverbend residence	615,542	296,746	318,796	335,575
Rosebella residence	283,854	115,847	168,007	176,849
Starwood residence	385,043	105,764	279,279	293,977
Wilson House residence	379,841	221,535	158,306	166,638
Wyman residence	454,106	234,914	219,192	230,728
Leasehold improvements - Kilbarron	116,118	116,118	-	-
- Admin	28,527	28,527	-	644
Vehicles	76,318	72,293	4,025	5,750
Office equipment	42,108	42,108	-	-
Computer equipment	154,728	129,347	25,381	7,297
	7,993,893	$ 3,044,415	$ 4,949,478	$ 5,057,977
Accumulated amortization	(3,044,415)			
Net book value	$ 4,949,478			

Cost and accumulated amortization at March 31, 2020 amounted to $7,955,822 and $2,897,845, respectively.

The residence at 644 Golden Avenue, an adult group home, was purchased in 1986 with all of the funding provided by the Lion's Homes for Deaf People ("LHDP"). The deed is in the name of the Organization, however, the Organization has an agreement with LHDP that if the Organization ceases to exist, or ceases to operate the Golden Avenue residence as a group home for deaf multi-handicapped persons, the property will be sold with the net proceeds after mortgage repayment used to repay the funding that was provided by LHDP. In 2005, the residence was rebuilt and re-named Baxter House. In 2016, MCCSS repaid the outstanding balance on this mortgage as part of their funding to the Organization.

The residence at 16 Eleanor Drive, an adult group home, was purchased in 1989 with all of the funding provided by MCCSS. The deed is in the name of the Organization, however, should the residence cease to be operated as a group home, all proceeds from sale will be repaid to MCCSS.

The residence at 5 Eisenhower Crescent (Wilson House), an adult group home, was purchased in 1992 with 80% of the funding provided by MCCSS. The deed is in the name of the Organization, however, should the residence cease to be operated as a group home, 80% of the proceeds from its sale will be repaid to MCCSS.

4. **CAPITAL ASSETS** - Cont'd.

The residence at 2785 Quinn Road, an adult group home, was acquired by way of mortgage financing with assistance from the Ministry of Housing ("MOH"). In 2000, Quinn Road funding was transferred to MCCSS. The deed is in the name of the Organization, however, should the residence cease to be operated as a group home, proceeds from its sale will repay the mortgage holder, with remaining funds paid to MCCSS.

The residence at 575 Kirkwood Avenue, an adult group home, was purchased in 1996 with all of the funding provided by the LHDP. The deed is in the name of the Organization, however, should the Organization cease to exist or cease to operate the residence as a group home for deaf multi-handicapped persons, the property will be sold with all the proceeds from sale returned to the LHDP. During the 2011 fiscal year, additional funding for improvements was received from the Canada Mortgage and Housing Corporation ("CMHC") in the form of a forgivable loan.

The residence at 24 Hillmount Crescent, an adult group home, was purchased in 1999 with all of the funding provided by MCCSS. The deed is in the name of the Organization, however, should the residence cease to be operated as a group home, all proceeds from sale will be repaid to MCCSS. During the 2011 fiscal year, additional funding for improvements was received from CMHC in the form of a forgivable loan.

The residence at 42 Leeming Road (Anderson Place), an adult group home, was acquired by way of mortgage financing with assistance from MCCSS. The deed is in the name of the Organization, however, should the residence cease to be operated as a group home, proceeds from its sale will repay the mortgage holder, with all of the remaining funds to be paid to MCCSS.

The residence at 3554 Wyman Crescent, an adult group home, was purchased in 2005 with all of the funding provided by MCCSS. The deed is in the name of the Organization, however, should the residence cease to be operated as a group home, all of the proceeds from sale will be repaid to MCCSS. In 2014, MCCSS repaid the outstanding balance on this mortgage in full as part of their funding of TCE.

Land on Riverbend Drive was purchased in the 2008 fiscal year with all of the funding provided by MCCSS. The Organization constructed a home at this site which opened in December 2008 as an adult group home. Almost all of the cost of construction was funded by MCCSS. Should the Riverbend residence cease to be used as a group home, all of the proceeds from sale will be paid to MCCSS less the Organization's initial contribution.

The residence at 1838 Rosabella Avenue, an adult group home, was purchased during the 2009 fiscal year with all of the funding provided by MCCSS. The deed is in the name of the Organization, however, should the residence cease to operate as a group home, proceeds from its sale will be repaid to MCCSS. In 2014, MCCSS repaid the outstanding balance on this mortgage in full as part of their funding of the Organization.

The residence at 75 Starwood, an adult group home, was purchased in 2014 by way of a mortgage agreement. Funding for payments is provided by MCCSS. The deed is in the name of the Organization, however, should the residence cease to be operated as a group home, all proceeds from sale will be paid to MCCSS. In 2017, MCCSS repaid the outstanding balance on this mortgage as part of their funding to the Organization.

5. LONG-TERM DEBT

Long-term debt consists of the following:

	2021	2020
Anderson Place mortgage payable at $853 monthly including interest at 3.75%, due September 1, 2023	$ 24,420	$ 33,574
Quinn Road mortgage payable at $1,339 monthly including interest at 2.42%, due April 1, 2025	136,864	150,232
	161,284	183,806
Less current portion of long-term debt	23,150	22,526
	$ 138,134	$ 161,280

Principal repayments required until maturity are as follows:

2022	$ 23,150
2023	23,847
2024	18,533
2025	14,654
2026 and thereafter	81,100
	$ 161,284

6. DEFERRED FUNDING RELATING TO CAPITAL ASSETS

Funds received from the various entities that provided assistance in acquiring or renovating the adult group homes have been recorded as deferred revenue and will be recognized as income at the same rate as the corresponding properties are amortized. Funding and donations received specifically in relation to the acquisition of vehicles are also deferred and are being recognized in income at the same rate as the corresponding vehicles are amortized.

	2021	2020
CMHC funding for Kirkwood Avenue residence	$ 100,668	$ 105,966
CMHC funding for Hillmount Crescent residence	52,787	55,565
LHDP funding for Kirkwood Avenue residence	205,817	216,649
MCCSS funding for Anderson Place	42,269	44,493
MCCSS funding for Baxter House	173,554	182,689
MCCSS funding for Eleanor Drive residence	150,171	158,075
MCCSS funding for Hillmount Crescent residence	166,891	175,675
MCCSS funding for Riverbend residence	498,956	525,217
MCCSS funding for Rosabella building	60,749	63,946
MCCSS funding for Starwood building	408,552	430,055
MCCSS funding for Quinn residence	285,399	300,420
MCCSS funding for Wyman Crescent residence	175,325	184,553
MCCSS and private funding for Wilson House residence	161,045	169,521
Private funding for Baxter House	22,007	23,166
Private funding for Riverbend residence	135,456	142,586
Privately donated funding for vehicles	4,461	6,372
Privately donated funding for computers	25,381	-
	$ 2,669,488	$ 2,784,948

During the year ended March 31, 2011, the Organization received a forgivable loan from CMHC relating to renovations for the Kirkwood and Hillmount residences. These loan proceeds have been recorded as deferred revenue under the understanding that there is no reason to believe that the conditions under which the loan will be forgiven would not be met. As such the amounts will be amortized and recognized as revenue on the same basis of the assets to which they relate.

7. CREDIT FACILITIES

The Organization has a line of credit for financing of up to $600,000 due on demand. Interest is calculated at bank prime plus 0.90%. As at year end, there was an outstanding balance of $Nil (2020 - $Nil) on this line of credit.

8. CONTRACT WITH MINISTRY OF CHILDREN, COMMUNITY AND SOCIAL SERVICES

A requirement of the contract with MCCSS is the production, by management, of a Transfer Payment Annual Reconciliation ("TPAR") which shows a summary by service of all revenues and expenditures and any resulting surplus or deficit that relates to the contract. The operational surplus for the March 2021 year end after authorized code allocations amounted to $67,303 payable to MCCSS (2020 - $Nil). During the year, the Organization received $98,837 of funding from MCCSS for the purchase of minor capital. As a result of the COVID-19 pandemic, this money was not spent by year end. MCCSS has approved a one-time extension to September 30, 2021 for the purchase of this equipment. The funding has therefore been included in deferred revenue. Any unspent funds will be returned to the MCCSS.

9. CAPITAL RESERVE FUND

Under the terms of its funding agreement with MCCSS for the Quinn Road and Leeming Road residences, TCE is required to set aside certain funds each year as a reserve. This year, the fund increased by $4,438 (2020 - increase of $4,438).

10. COMMITMENTS

The Organization has annual premises, office equipment and vehicle lease commitments over the next five years as follows:

2022	$ 197,185
2023	167,598
2024	142,704
2025	130,865
2026	26,433

11. ECONOMIC DEPENDENCE

The Organization receives the majority of its revenue from the Ministry of Children, Community and Social Services. In management's opinion, the Organization's continued operations are dependent on the continuance of this funding.