

Financial Statements of  
**THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND**  
Year ended March 31, 2005



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## **AUDITORS' REPORT**

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

**We have audited the statement of financial position of The Canadian National Institute for the Blind as at March 31, 2005 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.**

**Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.**

**In common with many charitable organizations, the Institute derives revenue from support from the public, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Institute and we were not able to determine whether any adjustments might be necessary to revenue, deficiency of revenue over expenditures, assets and net asset balances.**



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In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*KPMG LLP*

Chartered Accountants

Toronto, Canada

June 10, 2005

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

## Statement of Financial Position

(in thousands of dollars)

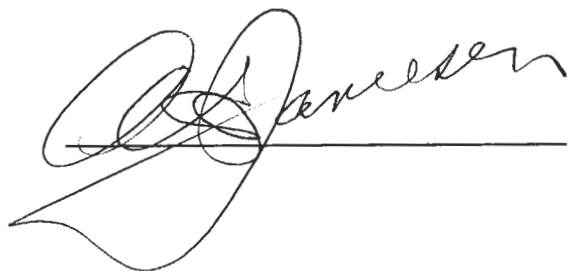
March 31, 2005, with comparative figures for 2004

	2005	2004
<b>Assets</b>		
Current assets:		
Cash (note 2)	\$ 13,253	\$ 10,615
Accounts receivable and pre-payments	4,873	9,054
Inventories and supplies	950	1,074
	<u>19,076</u>	<u>20,743</u>
Investments (notes 3)	45,809	45,446
Capital assets (note 4)	56,810	47,172
	<u>\$ 121,695</u>	<u>\$ 113,361</u>
<b>Liabilities, Deferred Contributions and Net Assets</b>		
Current liabilities:		
Bank indebtedness (note 5)	\$ 13,623	\$ 21,885
Accounts payable and accrued liabilities	17,559	13,105
	<u>31,182</u>	<u>34,990</u>
Accrued pension liability (note 6)	5,353	5,232
Deferred contributions:		
Expenses of future periods (note 7(a))	9,505	8,696
Capital assets (note 7(b))	12,568	13,958
	<u>22,073</u>	<u>22,654</u>
Net assets:		
Invested in capital assets (note 8)	30,459	13,315
Endowments	6,051	6,050
Internally restricted (note 9)	16,693	17,237
Unrestricted	9,884	13,883
	<u>63,087</u>	<u>50,485</u>
Commitments and contingencies (note 10)		
	<u>\$ 121,695</u>	<u>\$ 113,361</u>

See accompanying notes to financial statements

On behalf of the Board of Directors:

  
Member

  
Member

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

## Statement of Operations

March 31, 2005, with comparative figures for March 31, 2004

(in thousands of dollars)

	2005	2004
<b>Revenue</b>		
Support from the public (note 11)	\$ 28,826	\$ 28,262
Government support	17,284	16,456
Investment income	3,117	3,352
Fees for service and miscellaneous income	4,367	5,264
Technical aids sales	3,323	2,838
Amortization of deferred capital contributions (note 7(b))	2,782	1,390
	<u>59,699</u>	<u>57,562</u>
<b>Expenditures</b>		
<i>Client services:</i>		
Rehabilitation	36,959	37,330
Technical aids services and products	6,318	5,945
Library services	9,275	7,599
<i>Other program services:</i>		
Public education	2,577	2,601
Research	902	764
	<u>56,031</u>	<u>54,239</u>
<i>Support services:</i>		
Administration	5,658	5,238
Fund development	2,188	2,801
	<u>7,846</u>	<u>8,039</u>
<i>Other items:</i>		
Loss (gain) on disposal of capital assets (note 4)	(19,430)	59
Restructuring (note 12)	2,651	346
	<u>47,098</u>	<u>62,683</u>
Excess (deficiency) of revenue over expenditures	\$ 12,601	\$ (5,121)

See accompanying notes to financial statements

## THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

### Statement of Changes in Net Assets

(in thousands of dollars)

March 31, 2005, with comparative figures for 2004

	Invested in capital assets (note 8)	Endowments	Internally restricted (note 9)	Unrestricted	2005 Total	2004 Total
Balance, beginning of year	\$ 13,315	\$ 6,050	\$ 17,237	\$ 13,883	\$ 50,485	\$ 55,537
Excess (deficiency) of revenue over expenditures	17,740	-	(257)	(4,882)	12,601	(5,121)
Endowment contributions	-	1	-	-	1	69
Invested in capital assets	(596)	-	-	596	-	-
Interfund transfers	-	-	(287)	287	-	-
<b>Balance, end of year</b>	<b>\$ 30,459</b>	<b>\$ 6,051</b>	<b>\$ 16,693</b>	<b>\$ 9,884</b>	<b>\$ 63,087</b>	<b>\$ 50,485</b>

See accompanying notes to financial statements

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

## Statement of Cash Flows

(in thousands of dollars)

Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
Cash provided by (used for):		
Operating activities:		
Excess (deficiency) of revenue over expenditures	\$ 12,601	\$ (5,121)
Items not involving cash:		
Amortization of capital assets	4,472	3,237
Amortization of deferred capital contributions	(2,782)	(1,390)
Loss (gain) on disposal of capital assets	(19,430)	59
Pension expense in excess of employer contributions	121	909
Deferred contributions related to expenses of future periods	809	638
	(4,209)	(1,668)
Change in non-cash working capital	8,759	(4,212)
	4,550	(5,880)
Financing and investing activities:		
Bank indebtedness (note 5)	(8,262)	14,912
Proceeds on disposal of capital assets	21,723	119
Deferred contributions related to capital assets	1,355	1,035
Principal payments under capital lease obligations	-	(728)
Purchase of capital assets	(16,366)	(14,898)
Investments, net	(363)	5,858
Endowment contributions	1	69
	(1,912)	6,367
Increase in cash	2,638	487
Cash, beginning of year	10,615	10,128
Cash, end of year (note 2)	\$ 13,253	\$ 10,615
See accompanying notes to financial statements		

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Notes to Financial Statements  
(in thousands of dollars except as noted)  
Year ended March 31, 2005

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The Canadian National Institute for the Blind (the "Institute") is a national volunteer agency providing services to individuals across Canada for whom loss of vision is a central problem in their personal and social development. The Institute also acts as a consultant and resource agency to the helping professions, government departments and private industry.

The basic aim of the Institute is to help blind and visually impaired people find ways to lead satisfying lives. Underlying all Institute services and actions is the belief that blind or visually impaired individuals can be integrated into the mainstream of community life, according to their ability.

The Institute was incorporated on March 30, 1918 by Letters Patent under the Companies Amendment Act of 1917.

The Institute is a registered charity under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Institute must meet certain requirements under the Act. In the opinion of management, these requirements have been met.

## **1. Significant accounting policies:**

### **(a) Basis of presentation:**

These financial statements include the accounts of National Office, the CNIB Library for the Blind, and the nine divisions of the Institute. All significant interdivisional transactions have been eliminated.

The Institute exercises significant influence over the operations of Blindness International, a separate entity providing support and training to organizations for the blind in developing countries. Due to its separate mandate, the results of Blindness International are not incorporated in the Institute's financial statements.

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Notes to Financial Statements  
(in thousands of dollars except as noted)  
Year ended March 31, 2005

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## 1. Significant accounting policies (continued):

### (b) Revenue recognition:

The Institute follows the deferral method of accounting for contributions, which include support from the public, bequests and Government support.

Revenue from fees for service and sale of technical aids is recognized when the services are provided or the goods are sold.

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.

Externally restricted contributions other than endowments are recognized as revenue in the year in which the related expenses are incurred. Contributions 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.

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

### (c) Investments:

Investments are recorded at cost less write-downs, if required, for other than temporary declines in value.

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Notes to Financial Statements  
(in thousands of dollars except as noted)  
Year ended March 31, 2005

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## 1. Significant accounting policies (continued):

### (d) Inventories and supplies:

Inventories and supplies are recorded at the lower of cost and net realizable value.

### (e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases 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 the Institute'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:

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Buildings	2.5%
Computer equipment and software	33.3%
Furniture and office equipment	25.0%

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### (f) Volunteer services:

The Institute benefits from substantial services in the form of volunteer time to fulfill its mission. Since these invaluable services are not purchased by the Institute, they are not recorded in these financial statements.

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Notes to Financial Statements  
(in thousands of dollars except as noted)  
Year ended March 31, 2005

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## 1. Significant accounting policies (continued):

### (g) Employee future benefits:

The Institute has a registered defined benefit pension plan which covers most of its employees and a non-registered defined benefit pension plan. The plans provide pension benefits based on years of service, years of contributions and final average earnings. The cost of the registered defined benefit plan is being funded currently. The cost of the non-registered plan is expensed and accrued currently and will be funded as benefits are paid. The Institute does not provide any significant non-pension, post retirement benefits.

The Institute accrues its obligations under its employee pension plans as the employee renders the service necessary to earn the pension.

The Institute has adopted the following policies:

- (i) The costs of pension and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, and retirement ages of employees. The interest discount rate is determined in accordance with guidelines as set out in the CICA Handbook.
- (ii) For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. The most recent actuarial valuation of the pension plan for funding purposes was as of December 31, 2003, and the next required valuation will be as of December 31, 2006.
- (iii) The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the market value of plan assets is amortized over the expected average remaining service period of the active employees which, for the pension plan, is 15.2 years.

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Notes to Financial Statements  
(in thousands of dollars except as noted)  
Year ended March 31, 2005

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## 1. Significant accounting policies (continued):

### (h) 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, expenditures and changes in net assets during the year. Actual results could differ from these estimates.

## 2. Cash:

Cash includes restricted amounts of \$8,819 (2004 - \$5,384) for the CNIB Lottery. The monies are restricted for payments relating to the CNIB Lottery, including payment for prizes and related expenditures of the Lottery.

## 3. Investments:

	2005		2004	
	Carrying value	Market value	Carrying value	Market value
Canadian fixed income securities	\$ 575	\$ 591	\$ 305	\$ 314
Canadian equities	-	-	267	312
Investments held in pooled funds	45,234	52,496	44,874	52,185
	<u>\$45,809</u>	<u>\$53,087</u>	<u>\$45,446</u>	<u>\$52,811</u>

The Canadian fixed income securities produce a yield to maturity ranging from 0.9% to 4.8% (2004 - 1.2% to 4.8%) and have a term to maturity ranging from 0.1 to 1.5 years (2004 - 0.5 to 2.75 years).

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Notes to Financial Statements  
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## 3. Investments (continued):

The investments held in pooled funds have the following portfolio:

	2005	2004
Canadian fixed income securities and cash	42%	44%
Canadian equities	29%	26%
U.S. and Global equities	29%	30%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The Canadian fixed income securities held within the pooled funds have yields to maturity ranging from 4.1% to 4.2% (2004 - 3.8% to 3.9%) and weighted average term to maturity in years ranging from 6.9 to 8.0 (2004 - 6.9 to 7.8 years).

## 4. Capital assets:

	2005		2004	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 6,607	\$ -	\$ 6,607	\$ 5,080
CNIB Centre	27,097	-	27,097	14,992
Buildings	27,494	10,640	16,854	18,316
Computer equipment and software	22,562	16,813	5,749	8,053
Furniture and office equipment	4,788	4,285	503	731
	<b>\$ 88,548</b>	<b>\$ 31,738</b>	<b>\$ 56,810</b>	<b>\$ 47,172</b>

The Institute sold 12 acres of its 16-acre property on Bayview Avenue in Toronto in July 2004. The Institute designated the net proceeds of the sale towards the new CNIB Centre developed on the remaining land. This facility houses the National Office, the CNIB Library for the Blind, and portions of the Ontario Division, including the Toronto Regional Service Centre.

The CNIB Centre capital costs include cumulative interest costs of \$656 (2004 - \$393) associated with the financing of the project.

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Notes to Financial Statements  
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Year ended March 31, 2005

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# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

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## 5. Bank indebtedness:

The Institute has various credit facilities available to fund operations and capital expenditures, totalling \$21 million at varying rates of interest, of which \$11 million is for the CNIB Centre on Bayview Avenue in Toronto. These amounts are due upon demand and are secured by the CNIB Centre and a general security agreement.

## 6. Accrued pension liability:

Information about the Institute's defined benefit pension plans as at March 31, is as follows:

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	2005	2004
Accrued pension obligation	\$ 78,546	\$ 72,838
Plan assets	71,969	67,896
Funded status - deficit	(6,577)	(4,942)
Unamortized past service costs	1,015	1,149
Unamortized net actuarial loss (gain)	209	(1,439)
Accrued pension liability	\$ (5,353)	\$ (5,232)

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Plan assets consist of:

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	2005	2004
Canadian fixed income securities and cash	35%	37%
Equities	65%	63%
Total	100%	100%

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# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Notes to Financial Statements  
 (in thousands of dollars except as noted)  
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## 6. Accrued pension liability (continued):

The significant actuarial assumptions adopted in measuring the Institute's accrued pension liability are as follows:

	2005	2004
Accrued benefit obligation:		
Discount rate	6.00%	6.25%
Rate of compensation increase	4.00%	4.00%
Benefit costs:		
Discount rate	6.00%	6.25%
Expected long-term rate of return on plan assets	7.50%	7.50%
Rate of compensation increase	4.00%	4.00%

The Institute's net pension plan expense is as follows:

	2005	2004
Current service cost	\$ 2,175	\$ 2,013
Interest cost	4,579	4,866
Expected return on plan assets	(5,026)	(4,438)
Amortization of past service costs	134	134
Amortization of unrecognized net actuarial loss	-	96
Net pension plan expense	\$ 1,862	\$ 2,671

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Notes to Financial Statements  
 (in thousands of dollars except as noted)  
 Year ended March 31, 2005

## 7. Deferred contributions:

### (a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent, externally restricted amounts as shown below:

	2005	2004
Balance, beginning of year	\$ 8,696	\$ 8,058
Add: amount received	17,189	16,139
Less: amount recognized as revenue in year	(15,908)	(15,166)
amount transferred to deferred capital assets	(472)	(335)
<b>Balance, end of year</b>	<b>\$ 9,505</b>	<b>\$ 8,696</b>

### (b) Capital assets:

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

	2005	2004
Balance, beginning of year	\$ 13,958	\$ 14,313
Add: amount received in the year	883	700
amount transferred from expenses of future periods	472	335
deferred gain on disposal of capital assets	37	-
Less: amount recognized as revenue in year	(2,782)	(1,390)
<b>Balance, end of year</b>	<b>\$ 12,568</b>	<b>\$ 13,958</b>

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Notes to Financial Statements  
 (in thousands of dollars except as noted)  
 Year ended March 31, 2005

## 8. Invested in capital assets:

The Institute has an investment in capital assets, which is calculated as follows:

	2005	2004
Capital assets:	\$ 56,810	\$ 47,172
Amounts financed by:		
Deferred contributions	(12,568)	(13,958)
Less unspent contributions	156	47
Bank indebtedness related to capital expenditures	(12,925)	(17,719)
Trade payables	(1,014)	(2,227)
	<u>\$ 30,459</u>	<u>\$ 13,315</u>

The change in this balance is calculated as follows:

	2005	2004
Deficiency of revenue over expenditures:		
Amortization of deferred capital contributions	\$ 2,782	\$ 1,390
Gain (loss) on disposal of capital assets	19,430	(59)
Amortization of capital assets	(4,472)	(3,237)
	<u>17,740</u>	<u>(1,906)</u>
Net change in invested in capital assets:		
Purchase of capital assets	16,366	14,898
Amounts funded by:		
Deferred contributions	(1,355)	(1,035)
Less unspent contributions	126	(7)
Bank indebtedness related to capital expenditures	4,794	(12,865)
Trade payables	1,196	(1,457)
Proceeds on disposal of capital assets	(21,723)	(119)
	<u>(596)</u>	<u>(585)</u>
	<u>\$ 17,144</u>	<u>\$ (2,491)</u>

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Notes to Financial Statements  
(in thousands of dollars except as noted)  
Year ended March 31, 2005

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## 9. Internally restricted net assets:

Certain net assets of the Institute have been internally restricted for research, program, and working capital purposes.

## 10. Commitments and contingencies:

### (a) Lease obligations:

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

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2006	\$	2,008
2007		1,518
2008		919
2009		180
2010		89

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In relation to these leases, the Institute has agreed to indemnify the landlords against losses occurring on the leased premises which may arise out of a breach of the lease agreement.

### (b) Letters of credit:

The Institute is contingently liable for an amount of \$32 (2004 - \$114) under letters of credit issued by a financial institution with respect to lottery calendars and district raffles. In addition, there is a contingency of \$6,750 with respect to the standby letter of credit for the 2005 lottery. The Institute is required to hold such letter of credit in accordance with the rules and regulations of the Alcohol and Gaming Commission of Ontario.

The Institute has a standby letter of credit for its payroll with a financial institution of \$460.

The Institute has a standby letter of credit for the CNIB Centre on Bayview Avenue in Toronto with a financial institution of \$1,210.

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Notes to Financial Statements  
(in thousands of dollars except as noted)  
Year ended March 31, 2005

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## 10. Commitments and contingencies (continued):

### (c) Litigation:

The Institute has been named a defendant in certain lawsuits alleging damages. Management has reviewed the claims and believes that they have been adequately provided for in the financial statements.

## 11. Support from the public:

Support from the public and related expenses are as follows:

	2005	2004
United Way	\$ 6,046	\$ 5,984
Bequests	9,989	10,087
Fundraising campaigns	10,186	8,550
Designated donations	1,102	1,285
	<hr/> 27,323	<hr/> 25,906
Lotteries	14,818	12,424
Other social gaming revenue	10,599	11,573
Direct mail campaigns	6,329	6,181
	<hr/> 59,069	<hr/> 56,084
Less:		
Fund development costs	7,229	6,749
Lottery expenses	12,638	10,607
Other social gaming expenses	6,366	7,262
Direct mail expenditures	4,010	3,204
	<hr/> 30,243	<hr/> 27,822
	<hr/> \$ 28,826	<hr/> \$ 28,262

## 12. Restructuring:

The Institute incurred costs associated with the re-organization of its activities including severances, office closures, and other associated costs totalling \$2,651 (2004 - \$346).

# THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND

Notes to Financial Statements  
(in thousands of dollars except as noted)  
Year ended March 31, 2005

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## **13. Indemnifications of directors and officers:**

The Institute has indemnified its past, present, and future directors, officers, employees, and volunteers against expenses (including legal expenses), judgements, and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Institute. The nature of the indemnity prevents the Institute from reasonably estimating the maximum exposure. The Institute has purchased directors' and officers' liability insurance with respect to this indemnification.

## **14. Financial instruments:**

The carrying values of financial assets and liabilities being accounts receivable and prepayments, and accounts payable and accrued liabilities approximate their market values due to the relatively short-term nature of these instruments.

The market value of investments is noted in note 3.

## **15. Comparative figures:**

Certain comparative figures for 2004 have been reclassified to conform to the financial statement presentation adopted in 2005.