APHASIA INSTITUTE

FINANCIAL STATEMENTS

MARCH 31, 2023

APHASIA INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023
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Peter Tsui Professional Corporation

145 Royal Crest Court, Unit 33, Markham, Ontario L3R 9Z4

Independent Auditor's Report

To the Directors of the Aphasia Institute:

Report on the Audit of the Financial Statements

Qualified Opinion

I have audited the accompanying financial statements of the Aphasia Institute, which comprise the statement of financial position as at March 31, 2023, and the statements of revenue, expenditures, net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Aphasia Institute as at March 31, 2023 and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

In common with many non-profit organizations, the Aphasia Institute derives income from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of income was limited to the amounts recorded in the records of the Aphasia Institute and I was not able to determine whether any adjustments might be necessary to the donations and fundraising revenue, excess of revenue over expenditures and net assets.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management are 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 are 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's 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.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Peter Tsui, CPA, CA, LPA

June 5, 2023
Markham, Ontario

Authorized to practice public accounting by
Chartered Professional Accountants of Ontario

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APHASIA INSTITUTE
STATEMENT OF FINANCIAL POSITION

As of March 31	2023	2022
	$	$
ASSETS		
Current Assets		
Cash	307,837	407,240
Accounts receivable	59,779	40,664
Prepaid expenses and sundry assets	20,616	27,420
	388,232	475,324
Investments (note 4)	1,271,063	1,150,737
Investments - Endowment (note 10)	1,573,193	1,497,496
	2,844,256	2,648,233
Capital Assets (note 5)	30,655	33,557
	3,263,143	3,157,114
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	67,467	88,162
Deferred income (note 6)	521,666	500,082
	589,133	588,244
Non-Current Liabilities		
Deferred capital contributions (note 7)	3,388	4,501
NET ASSETS		
Net Assets Invested in Capital Assets	27,267	29,056
Endowment Fund (note 10)	1,573,193	1,497,496
Aphasia Impact Fund (note 11)	180,000	180,000
General Fund	890,162	857,817
	2,670,622	2,564,369
	3,263,143	3,157,114

Commitments (note 12)

See accompanying notes to financial statements.

Approved on behalf of the Board

N.Chaudhary

Director | Director

APHASIA INSTITUTE
STATEMENT OF REVENUES AND EXPENDITURES

For the Year ended March 31	2023	2022
	$	$
REVENUES		
Government and other grants (note 8)	1,499,046	1,385,447
Donations and fundraising	455,969	221,952
Resource material	32,989	39,620
Client service fees	31,464	27,009
Professional training and education	94,393	63,655
Investment income	51,484	35,697
Amortization of deferred capital contributions (note 7)	1,113	1,112
Government COVID-19 subsidies (note 9)	-	313,272
Other income	441	21,335
	2,166,899	2,109,099
EXPENDITURES		
Salaries and employee benefits	1,242,758	1,134,162
Occupancy costs	337,575	325,061
Office expenses	256,084	219,403
Provincial education and training	196,407	116,867
Client services	12,785	4,300
Amortization of capital assets	17,411	19,832
Fundraising	4,497	2,554
Professional fees	52,296	36,959
Professional training and resource materials	12,200	9,074
Staff development and travel	4,330	565
	2,136,343	1,868,777
EXCESS OF REVENUES OVER EXPENDITURES	30,556	240,322

See accompanying notes to financial statements.

APHASIA INSTITUTE
STATEMENT OF NET ASSETS

For the Year Ended March 31, 2023	Endowment Fund	Aphasia Impact Fund (note 11)	Invested in Capital Assets	General Fund	Total 2023
	$	$	$	$	$
Balance, beginning of year	1,497,496	180,000	29,056	857,817	2,564,369
Excess (deficiency) of revenues over expenditures	-	-	(16,298)	46,854	30,556
Externally restricted investment income added to the principal amount of the Endowment Fund (note 10)	25,697	-	-	-	25,697
Internally funded acquisitions	-	-	14,509	(14,509)	-
Contributions	50,000	-	-	-	50,000
Balance, end of year	1,573,193	180,000	27,267	890,162	**2,670,622**

For the Year Ended March 31, 2022	Endowment Fund	Aphasia Impact Fund (note 11)	Invested in Capital Assets	General Fund	Total 2022
	$	$	$	$	$
Balance, beginning of year	1,454,317	180,000	47,776	598,775	2,280,868
Excess (deficiency) of revenues over expenditures	-	-	(18,720)	259,042	240,322
Externally restricted investment income added to the principal amount of the Endowment Fund (note 10)	43,179	-	-	-	43,179
Balance, end of year	1,497,496	180,000	29,056	857,817	**2,564,369**

See accompanying notes to financial statements.

APHASIA INSTITUTE
STATEMENT OF CASH FLOWS

For the Year ended March 31	**2023**	**2022**
	$	$
Cash flows from operating activities		
Cash receipts from government grants	1,520,630	1,504,991
Cash receipts from fundraising and donations	455,969	221,952
Cash receipts for goods and services provided	139,731	153,371
Cash paid to employees and suppliers	(2,132,823)	(1,866,821)
Investment income received	68,985	48,997
Government COVID-19 subsidies received	-	417,342
Other income received	441	21,335
	52,933	501,167
Cash flows from investing and financing activities		
Net purchase of investments	(187,827)	(223,069)
Purchase of capital assets	(14,509)	-
	(152,336)	(223,069)
Change in cash and cash equivalents during the year	(99,403)	278,098
Cash and cash equivalents, beginning of year	407,240	129,142
Cash and cash equivalents, end of year	307,837	407,240

See accompanying notes to financial statements.

GENERAL

The Aphasia Institute ("Institute") is a registered charitable organization incorporated without share capital under the laws of the Province of Ontario and, as such, is exempt from income tax.

The Institute was established as a partnership of individuals with aphasia, family members, volunteers, staff and supporters dedicated to reducing language barriers to full life participation at a local, provincial, national and international level. Within the framework of a teaching and learning centre, the Institute:

- provides service to people with aphasia and their families in the Toronto Area through the Pat Arato Aphasia Centre, and
- works to inspire and influence others locally and elsewhere through advocacy and awareness, education and training, and applied research and resource development.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Institute have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Measurement Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results may differ from these estimates.

(c) Revenue Recognition

The Institute follows the deferral method of accounting for contributions, which include donations and grants. 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. Endowment contributions are recognized as direct increases in net assets in the year.

Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Contributions that are restricted for the purchase of property and equipment are deferred and amortized at the same rate as the related property and equipment.

Revenue from sales of resource material is recognized when the resource material is delivered and collection is reasonably assured.

Revenue from client service fees, professional training and education is recognized when the service is provided and collection is reasonably assured.

Investment income in the Endowment Fund includes dividend, interest, and other distributions. Such investment income is externally restricted and therefore is recognized as revenue in the year in which related expenses are incurred. Unspent endowment investment income is included in deferred income. Realized gains or losses on the sale of endowment investments are also externally restricted and must be added to or deducted from the principal amount of the Endowment Fund. These realized gains or losses are accounted for as direct increases, or decreases, in net assets.

Investment income from outside the Endowment Fund is recognized on each investment using the effective interest rate approach. Changes in unrealized gains or losses based on year-end quoted closing prices are included in investment income.

(d) Capital Assets

Capital assets are recorded at cost and are amortized on a straight line basis over their estimated useful lives using the following rates:

Office furniture and equipment	10 years
Computer equipment	3 years
Leasehold improvements	10 years
Website infrastructure	5 years

Amortization is recorded at half of the regular rate during the year of acquisition.

(e) Financial Instruments

The Institute's financial assets and financial liabilities are accounted for as follows:

- Cash is subject to an insignificant risk of change in value so carrying value approximates fair value.
- Endowment Fund investments are valued at amortized cost.
- Investments outside of the Endowment Fund are valued at year-end quoted closing prices.
- Accounts receivable, accounts payable and accrued liabilities are measured at amortized cost.

(f) Foreign Exchange

The Institute uses the current rate method for its foreign currency transactions. Under this method foreign denominated monetary assets and liabilities are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the yearly average exchange rates. Non-monetary assets and liabilities are translated at the exchange rate at the date of acquisition. Exchange gains or losses arising on the translation are included in the statement of revenues and expenditures.

(g) Contributed Goods and Services

The value of donated goods and services is recorded as revenue and an expense in the financial statements when the fair value can be reasonably estimated and when the goods and services are normally purchased and would be paid for if not donated.

The Institute benefits substantially from services in the form of volunteer time. The value of these services is not recorded in these financial statements.

2. MANAGEMENT OF CAPITAL

The Institute defines capital as the sum of its net assets invested in capital assets, sustainability fund, Impact Fund, endowment fund and unrestricted net assets less the accumulated increase or decrease in the fair value of investments. The total capital of the Institute as at March 31, 2023 amounted to $2,685,800 (2022 - $2,562,043).

The Institute's objectives when managing capital are to match generally the structure of its capital to the underlying nature of the assets being financed and to hold sufficient unrestricted net assets to enable it to withstand negative unexpected financial events, in order to maintain stability in its financial structure. The Institute seeks to minimize exposure to financial leverage and variable rate financial obligations and to maintain sufficient liquidity to meet its obligations as they become due. The Institute is not subject to any externally imposed capital requirements.

The Institute met these objectives in 2023 and 2022.

3. FINANCIAL INSTRUMENTS

The Institute manages its exposure to risk associated with financial instruments in accordance with its risk management policy. The objective of the policy is to reduce volatility in cash flow and earnings. The Institute monitors compliance with risk management policies and reviews risk management policies and procedures regularly. The Institute does not use derivative financial instruments to manage its risks.

Credit risk

Credit risk refers to the possibility that parties may default on their financial obligations or, if there is a concentration of transactions carried out with the same party, that these transactions could materially, if defaulted on, have an adverse effect on the Institute, or if there is a concentration of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. Cash, investment in debt instruments and accounts receivable are exposed to credit risk. The Institute's total exposure to credit risk from these financial instruments was $1,949,589 as of March 31, 2023 (2022 - $1,481,710).

The credit risk associated with cash is minimized by ensuring that cash is held at a major financial institution which is insured by the Canadian Deposit Insurance Corporation. The credit risk associated with investments is managed by investing in accordance with the investment policy approved by the Board of Directors. The policy stipulates the type and limits of allowable investments. The credit risk associated with accounts receivable is minimized by its review of clients' creditworthiness and ability to pay. Accounts receivable credit risk is further reduced by ensuring a broad and diverse client profile within its credit policy.

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.

Currency risk

Currency risk reflects the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in foreign currency exchange rates. As of March 31, 2023, the Institute holds $368,191 (2022 - $392,670) of foreign securities, which are mostly denominated in US Dollars, in its Endowment Fund and therefore is exposed to currency risk.

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. The Institute's cash on deposit with financial institutions and investments earn interest rates that are both fixed and variable. Interest on cash balances is exposed to interest cash flow risk as the cash balance earns interest based on fluctuating market interest rates. The investments are exposed to interest rate price risk since their fair values will fluctuate depending on the prevailing market interest rates.

The primary objective of the Institute with respect to investments is to ensure the security of the principal amounts invested and to provide a high degree of liquidity, while achieving a higher rate of return than if excess funds were held as cash.

The Institute manages the interest rate risk exposure to its bond investments by using staggered maturity dates. The staggered maturity dates help to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations.

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 in the market. The Institute's investments are exposed to other price risk.

The Institute manages the other price risk exposure to its investments by establishing and adhering to an Investment Policy which specifies a conservative risk tolerance and requires a diversified investment portfolio.

Liquidity risk
Liquidity risk is the risk that the Institute will not be able to meet a demand for cash or fund its obligations as they come due. The Institute meets its liquidity requirements by monitoring cash flows from its activities, preparing budgets, and anticipating investing and financing activities.

4. INVESTMENTS

The Institute's investments represent investments held outside of the Endowment Fund and consist of the following:

	2023 Amortized Cost $	2023 Carrying Value $
Province of New Brunswick CDS, due June 3, 2023, 3.75% yield	14,526	14,497
Province of British Columbia bond due February 23, 2024, 3.23% yield	74,828	73,986
Loblaws preferred shares, 5.3% dividend cumulative	139,649	125,345
RBC money market fund	265,232	265,232
GIC's, due between September 2023 and December 2023, yield between 1.83% and 5.00% per annum	792,003	792,003
	1,286,238	1,271,063

The investments had unrealized loss of $15,175 as of March 31, 2023 (2022 – unrealized gain of $2,326).

5. CAPITAL ASSETS

March 31, 2023

	Cost	Accumulated amortization	Net book value
	$	$	$
Office furniture and equipment	41,007	34,084	6,923
Computer equipment	86,411	62,679	23,732
Leasehold improvements	19,593	19,593	-
Website infrastructure	10,361	10,361	-
	157,372	126,717	30,655

March 31, 2022

	Cost	Accumulated amortization	Net book value
	$	$	$
Office furniture and equipment	38,969	32,204	6,765
Computer equipment	73,941	47,706	26,235
Leasehold improvements	19,593	19,036	557
Website infrastructure	10,361	10,361	-
	142,864	109,307	33,557

6. DEFERRED INCOME

	2023	2022
	$	$
Client service fees	31,433	26,939
Endowment investment revenue	327,879	271,889
Grants and donations	162,354	201,254
	521,666	500,082

7. DEFERRED CAPITAL CONTRIBUTIONS

	2023	2022
	$	$
Balance, beginning of year	4,501	5,613
Additions and adjustment	-	-
Amortization of deferred capital contributions	(1,113)	(1,112)
Balance, end of year	3,388	4,501

8. GOVERNMENT AND OTHER GRANTS

	2023	2022
	$	$
Ministry of Health and Long-Term Care – Annual	1,443,995	952,017
Ministry of Health and Long-Term Care – One-time	30,000	400,000
City of Toronto – Community Services	25,051	24,560
Others	-	8,870
	1,499,046	1,385,447

9. GOVERNMENT COVID-19 SUBSIDIES

The Institute received subsidies from the federal government under the following COVID-19 assistance programs:

	2023	2022
Canada Emergency Wage Subsidy (CEWS)	$ -	$237,231
Canada Emergency Rent Subsidy (CERS)	-	76,041
	-	313,272

10. ENDOWMENT FUND

The Aphasia Research and Education Endowment Fund ("Endowment Fund") was established in June 2014 with a $1 million contribution from a donor. The Institute agreed to manage the Fund as a perpetual endowment fund. The original capital shall not be encroached on and all income earned shall be restricted to support the Institute's aphasia research and education activities, adhering to an Endowment Agreement dated June 4, 2014.

The Institute amended its Endowment Fund Investment Policy in October 2021. The revised policy permits the Institute to withdraw capital from the Endowment Fund with the approval of the Executive Committee of the Board of Directors under exceptional circumstances. The Institute is required to consider other funding alternatives, such as available lines of credit, in determining whether Endowment Fund capital should be withdrawn.

The Endowment Fund is open to contributions from other donors. The Institute received $50,000 additional endowment contributions during 2022/2023 (2021/2022 - $nil).

The Institute's Endowment investments consist of cash, fixed income instruments, Canadian equities and foreign equities. These instruments are stated on the statement of financial position at amortized cost. As of March 31, 2023, the Endowment Fund investments had a total market value of $1,816,438 (2022 - $1,806,471).

The Endowment Fund's performance during 2022/2023 was as follows:

	2023	2022
	$	$
Investment income	106,469	123,624
Management fee	(24,782)	(25,187)
Transfer to General Fund	(55,990)	(55,258)
Balance retained in Endowment Fund	25,697	43,179

As of March 31, 2023, the Endowment Fund held the following types of instruments in its portfolio at amortized costs:

	2023	2022
	$	$
Cash and money market	186,131	288,970
Fixed income securities	396,982	243,128
Canadian equity securities	621,889	572,727
Foreign securities	368,191	392,670
Total	1,573,193	1,497,495

11. INTERNALLY RESTRICTED FUNDS

The Aphasia Impact Fund, formerly known as the Research, Development and Technology Reserve Fund, was established by the Board of Directors in fiscal year 2004/2005 for the internally restricted purpose of funding aphasia-related research and development activities.

12. COMMITMENTS

The lease for the premises occupied by the Institute expires in August 2026. The Institute is also committed to making periodic payments for equipment and software under operating leases or licenses which expire in 2023/2024. Estimated annual payments for these operating leases are as follows:

	$
2023/2024	358,300
2024/2025	345,705
2025/2026	353,084
2026/2027	148,416

13. ECONOMIC DEPENDENCE

The Institute is dependent on the Province of Ontario for the provision of funds to cover the cost of operations. Ontario provincial grants accounted for 68% of the Institute's total revenues in 2023 (2022 – 64%).

14. COMPARATIVE FIGURES

Certain 2022 comparative figures have been reclassified to conform with the current year's financial statement presentation.