

The Canadian Hearing Society

Financial Statements
March 31, 2002

May 17, 2002

Auditors' Report

To the Directors and Members of The Canadian Hearing Society

We have audited the balance sheet of **The Canadian Hearing Society** as at March 31, 2002 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following two paragraphs, 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 Society derives a portion of its revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenue from donations and fundraising activities was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenses, assets and fund balances.

Note 2(f) describes the Society's decision, commencing in fiscal 1998, to expense certain purchases of capital assets in the year.

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 from donations and fundraising activities referred to in the above paragraph and the effects of the failure to capitalize certain purchases of capital assets as described in note 2(f), these financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

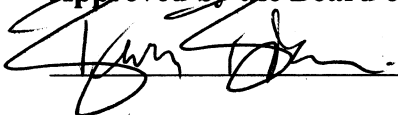
The Canadian Hearing Society

Balance Sheet

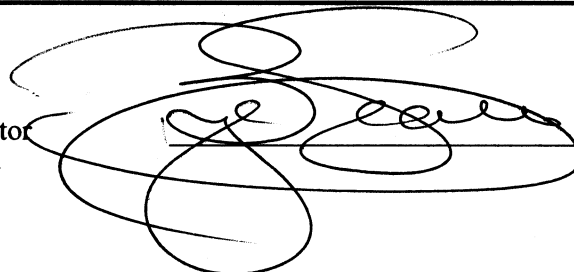
As at March 31, 2002

	2002			2001
	Operating fund	Designated funds	Total	Total
	\$	\$	\$	\$
Assets				
Current assets				
Cash (note 5)	147,425	-	147,425	878,176
Grants receivable	301,523	-	301,523	289,060
Accounts receivable	922,083	-	922,083	788,082
Inventory	412,530	-	412,530	275,355
Other assets	19,023	-	19,023	14,479
	1,802,584	-	1,802,584	2,245,152
Investments	-	4,234,882	4,234,882	4,887,130
Interfund loan (note 4)	30,802	(30,802)	-	-
Capital assets (note 3)	3,697,061	-	3,697,061	3,776,369
	5,530,447	4,204,080	9,734,527	10,908,651
Liabilities				
Current liabilities				
Bank indebtedness (note 5)	843,638	-	843,638	-
Accounts payable and accrued liabilities	1,279,611	-	1,279,611	1,066,151
Amount repayable to funders (note 6)	232,085	-	232,085	1,788,429
Current portion of loan payable (note 7)	4,705	-	4,705	4,705
Deferred revenue (note 8)	239,368	-	239,368	39,405
	2,599,407	-	2,599,407	2,898,690
Loan payable (note 7)	7,449	-	7,449	12,154
	2,606,856	-	2,606,856	2,910,844
Fund Balances				
Operating fund				
Capital assets	3,697,061	-	3,697,061	3,776,369
General	(773,470)	-	(773,470)	(828,035)
Designated funds (note 9)	-	4,204,080	4,204,080	5,049,473
	2,923,591	4,204,080	7,127,671	7,997,807
	5,530,447	4,204,080	9,734,527	10,908,651

Approved by the Board of Directors



Director



Director

The Canadian Hearing Society

Statement of Operations

For the year ended March 31, 2002

			2002	2001
	Operating fund	Designated funds	Total	Total
	\$	\$	\$	\$
Revenue				
Grants				
Province of Ontario (note 10)	9,392,487	-	9,392,487	7,831,826
Federal and other	1,561,209	-	1,561,209	992,500
Sales of goods and services	7,159,330	-	7,159,330	7,130,972
United Way contributions	1,810,953	-	1,810,953	1,697,021
Fundraising and gaming activities	1,240,242	287,631	1,527,873	1,479,265
Income on investments	4,896	347,752	352,648	151,142
	<u>21,169,117</u>	<u>635,383</u>	<u>21,804,500</u>	<u>19,282,726</u>
Expenses				
Salaries and benefits	12,513,886	-	12,513,886	10,486,690
Cost of sales	3,429,641	-	3,429,641	3,460,419
Office and program costs	2,163,697	-	2,163,697	1,587,881
Promotion and gaming	1,459,874	-	1,459,874	716,364
Services costs	1,281,781	-	1,281,781	1,122,274
Occupancy	1,048,407	-	1,048,407	967,317
Professional development and travel	701,546	-	701,546	550,617
Other expenses	65,698	-	65,698	76,845
Amortization	74,007	-	74,007	112,523
Bad debt expense (recoveries)	(63,901)	-	(63,901)	104,931
	<u>22,674,636</u>	<u>-</u>	<u>22,674,636</u>	<u>19,185,861</u>
Excess (deficiency) of revenue over expenses for the year	<u>(1,505,519)</u>	<u>635,383</u>	<u>(870,136)</u>	<u>96,865</u>

The Canadian Hearing Society

Statement of Changes in Fund Balances

For the year ended March 31, 2002

	Operating fund				2002	2001
	General \$	Capital assets \$	Total \$	Designated funds \$	Total \$	Total \$
Balance - Beginning of year	(828,035)	3,776,369	2,948,334	5,049,473	7,997,807	7,990,942
Excess (deficiency) of revenue over expenses for the year	(1,431,512)	(74,007)	(1,505,519)	635,383	(870,136)	96,865
Purchases of capital assets	(10,640)	10,640	-	-	-	-
Write-off of capital assets	15,941	(15,941)	-	-	-	-
Interfund transfer (note 4)	(2,254,246)	3,697,061	1,442,815	5,684,856	7,127,671	7,997,807
	1,480,776	-	1,480,776	(1,480,776)	-	-
Balance - End of year	(773,470)	3,697,061	2,923,591	4,204,080	7,127,671	7,997,807

The Canadian Hearing Society

Statement of Cash Flows

For the year ended March 31, 2002

	2002 \$	2001 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	(870,136)	96,865
Adjustments for non-cash items		
Amortization	74,007	112,523
Write-off of capital assets	15,941	-
Income on investments	(347,752)	(151,142)
	<u>(1,127,940)</u>	<u>58,246</u>
Change in non-cash working capital balances		
Grants receivable	(12,463)	(115,659)
Accounts receivable	(134,001)	179,999
Inventory	(137,175)	(42,190)
Other assets	(4,544)	(10,568)
Accounts payable and accrued liabilities	213,460	(212,056)
Amount repayable to funders	(1,556,344)	1,564,070
Deferred revenue	199,963	(98,166)
	<u>(2,559,044)</u>	<u>1,323,676</u>
Investing activities		
Purchase of investments	-	(249,607)
Sale of investments	1,000,000	180,000
Purchase of capital assets	(10,640)	(70,743)
Obligations under capital leases	-	(20,340)
Loan payable	(4,705)	16,859
	<u>984,655</u>	<u>(143,831)</u>
Change in cash during the year	(1,574,389)	1,179,845
Cash (bank indebtedness) - Beginning of year	878,176	(301,669)
Cash (bank indebtedness) - End of year	(696,213)	878,176
Cash (bank indebtedness) consists of		
Cash	147,425	878,176
Bank indebtedness	(843,638)	-
	<u>(696,213)</u>	<u>878,176</u>
Supplementary information		
Interest paid	868	27,138

The Canadian Hearing Society

Notes to Financial Statements

March 31, 2002

1 The organization

The Society provides services that enhance the independence of deaf, deafened and hard of hearing people, and encourage prevention of hearing loss.

The Society is registered as a charity under the Income Tax Act and therefore is not subject to income taxes provided expenditures meet a certain threshold.

2 Summary of significant accounting policies

a) Financial statement presentation

These financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations published by The Canadian Institute of Chartered Accountants, using the restricted fund method of reporting restricted contributions.

These financial statements include the operations of the head office of the Society, its 12 regional offices, and its 15 area offices. These financial statements include the following funds:

- Operating fund - Invested in capital assets - includes funds which have been used for the purpose of purchasing capital assets, net of accumulated amortization and financing costs.
- Operating fund - General - includes program surpluses, which have been designated by the Board for the future use of that program, and the cumulative net excess of operating expenses over revenue.
- Designated funds - include bequests and specific donations designated for a particular purpose by the donor and funds that have been internally designated by the Board.

b) Revenue and expense recognition

Revenue and expenses are recognized on the accrual basis of accounting, except for donations revenue.

c) Deferred revenue

Revenue is deferred in the operating fund when it relates to externally restricted operating funding received in the current period that is related to the subsequent period.

d) Inventory

Inventory is recorded at the lower of cost, calculated on a first-in, first-out basis, and net realizable value.

e) Investments

Investments are held in the Integra Capital Management pooled funds and are carried at market value.

The Canadian Hearing Society

Notes to Financial Statements

March 31, 2002

f) Capital assets

Land and buildings are recorded at cost and no amortization is provided on the basis that the necessary financial information is not reasonably determinable.

The capital assets purchased from operating funds are recorded at cost, less accumulated amortization. Amortization is computed on the straight-line method based on the estimated useful life of the particular assets over the following periods:

Furniture and equipment	5 years
Automobiles	5 years
Computer equipment	3 years
Computer equipment under capital lease	term of lease

The Society, in accordance with instructions received from certain government agencies, expensed all capital assets purchased from government funding, effective fiscal 1998. Canadian generally accepted accounting principles require these asset purchases to be capitalized and amortization provided on a continuing basis in accordance with the present amortization accounting policies. In the current year, the Society would have recorded in the operating fund capital assets totalling \$798,599 (2001 - \$277,557) along with the related amortization of approximately \$125,459 (2001 - \$40,050). The current year's amortization expense of capital assets previously expensed in prior years would have been an additional amount of approximately \$147,485 (2001 - \$67,385). The accumulated effect of this policy is to understate the net book value of capital assets and capital assets fund balance by approximately \$971,252 (2001 - \$445,597).

g) Fair values of financial instruments

The fair value of financial instruments is determined by reference to various market data and other valuation techniques, as appropriate. The fair value of financial instruments approximates their recorded values, except as disclosed elsewhere in the financial statements.

h) Donated materials and services

Contributions, to the extent recognized in the fund accounts, are recorded at an approximation of fair market value. The Society is dependent upon the ongoing support of volunteers, the value of which has not been quantified in these financial statements.

The Canadian Hearing Society

Notes to Financial Statements

March 31, 2002

3 Capital assets

			2002	2001
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land and buildings	3,607,316	-	3,607,316	3,601,505
Furniture and equipment	113,971	65,862	48,109	82,228
Automobiles	27,947	7,918	20,029	25,618
Computer equipment				
Purchased	423,384	401,777	21,607	67,018
Under capital lease	542,652	542,652	-	-
	4,715,270	1,018,209	3,697,061	3,776,369

4 Interfund loan and transfers

The interfund loan amount represents an amount owing between the operating and designated funds. The amount is non-interest bearing and payable on demand.

In 2002, the Society's Board of Directors approved the transfer of internally restricted funds amounting to \$1,480,776 (2001 - \$628,831). Transfers of these amounts were made from the designated funds to cover certain costs expensed in the operating fund. These internally restricted funds are not available for other purposes without the approval of the Board of Directors.

5 Bank indebtedness

The Society has a line of credit with a chartered bank of up to \$1,000,000 bearing interest at prime plus 1/4% per annum which is secured by a collateral first mortgage on 271 Spadina Road, Toronto, Ontario.

6 Amount repayable to funders

The amount repayable to funders represents funds received from the funders that were not spent prior to year-end. Under the terms of the contract, the funder has the right to ask for any unspent funds to be repaid.

The Canadian Hearing Society

Notes to Financial Statements

March 31, 2002

7 Loan payable

The loan is unsecured, non-interest bearing, and is repayable in fixed monthly instalments of \$392.

The repayments of the loan are as follows:

	\$
2003	4,705
2004	4,705
2005	2,744
	<hr/>
	12,154
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8 Deferred revenue

Deferred revenue reported in the operating fund relates to restricted operating or designated funding received in the current period that is related to the subsequent period.

Changes in the deferred revenue balance in the operating fund are as follows:

	2002 \$	2001 \$
Balance - Beginning of year	39,405	137,571
Less: Amounts recognized as revenue in the year	(39,405)	(137,571)
Add: Amounts received related to subsequent years	239,368	39,405
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Balance - End of year	239,368	39,405
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The Canadian Hearing Society

Notes to Financial Statements

March 31, 2002

9 Designated funds

	2002 \$	2001 \$
Designated by the Board of Directors		
Trillium Foundation Stabilization Fund	2,338,283	3,309,162
Head Office Building Repair Fund	306,703	320,114
Hamilton Building Sustaining Fund	272,048	257,812
Ottawa Building Occupancy Fund	186,512	197,471
London Building Fund	285,209	265,873
Niagara Client Assistance Fund	5,040	4,667
CHS Children's Fund	8,576	7,990
Walter Scott Building Fund	139,695	136,703
Waterloo Building Occupancy Fund	75,864	70,521
Windsor Building Fund	58,000	53,915
Toronto Access Fund	28,651	26,553
Hamilton Access Fund	11,102	9,035
	<hr/> 3,715,683	<hr/> 4,659,816
Designated by donor		
Harper Fund	91,633	85,079
Hamilton Steele Children's Fund	262,774	245,550
Kortwright Fund	11,229	10,438
Award Fund	10,295	9,570
Alison Cochlear Implant Fund	20,197	-
Grant Thorburn Trust Fund	50,622	-
McMurrich Fund	5,579	5,491
Nicole Majorosi Fund	5,167	4,804
Peterborough Strathdee Fund	28,577	26,564
Waterloo Senior Access Fund	2,324	2,161
	<hr/> 488,397	<hr/> 389,657
	<hr/> 4,204,080	<hr/> 5,049,473

The Canadian Hearing Society

Notes to Financial Statements

March 31, 2002

10 Grants from the Ministry of Community and Social Services

The Society has a number of contracts with the Ministry of Community and Social Services. One requirement of the contracts is the production by management of an Annual Program Expenditure Report, which shows a summary of all revenues and expenditures and any resulting surplus or deficit that relates to that contract. Any surplus amounts are reflected in accounts payable. The surplus (deficit) amounts below include the cost of capital assets purchased during the year, and exclude amortization, in accordance with the contracts:

Contract name	Total contract \$	Surplus (deficit) March 31, 2002 \$
Hamilton		
BPS	4,319	-
GSS	96,529	(13,364)
OIS	70,475	(30,602)
Kingston/Belleville		
BPS	3,221	-
GSS	207,465	7,586
OIS	134,098	(37,818)
London		
BPS	2,646	-
GSS	138,436	(52,671)
OIS	68,404	(1,166)
Ottawa		
BPS	7,647	-
GSS	103,493	(11,160)
OIS	135,512	(34,392)
Peel/Waterloo		
BPS	10,640	-
GSS	67,160	(2,205)
OIS	178,105	(8,425)
Peterborough		
BPS	3,750	-
GSS	104,930	(9,704)
OIS	125,544	(17,545)
Sault Ste. Marie		
BPS	4,683	-
OIS	69,763	(15,981)
Sudbury		
BPS	4,197	-
GSS	309,838	(56,163)
OIS	182,209	(27,799)
Thunder Bay		
BPS	6,544	-
GSS	109,056	(8,835)
OIS	64,557	(4,484)

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Contract name	Total contract \$	Surplus (deficit) March 31, 2002 \$
Toronto		
BPS	208,089	-
ES	83,827	(4,578)
GSS	260,412	(64,915)
OIS	308,690	(9,525)
Windsor/Sarnia		
BPS	8,370	-
GSS	82,205	(33,478)
OIS	76,370	(12,515)
	<u>3,241,184</u>	<u>(449,739)</u>

11 Break-open ticket sales

As required by government regulation, the following summarizes revenue and expenses with respect to the sale of Nevada break-open ticket lotteries under provincial licence:

	2002 \$	2001 \$
Revenue	<u>328,601</u>	<u>371,572</u>
Expenses		
Cost of tickets sold and promotion fees - retail	39,361	44,545
Promotion fees - agent	100,725	113,903
Licence fees	74,895	83,635
	<u>214,981</u>	<u>242,083</u>
Excess of revenue over expenses for the year	<u>113,620</u>	<u>129,489</u>

The Canadian Hearing Society

Notes to Financial Statements

March 31, 2002

12 Lease commitments

The Society is committed under operating leases for office space and office equipment over the next five fiscal years and in total as follows:

	\$
2003	597,147
2004	493,039
2005	348,641
2006	125,224
2007	55,813
	<hr/>
	1,619,864
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13 Ontario Salary Disclosure Act

During the 2001 calendar year, the Society paid the President and Chief Executive Officer a salary of \$137,959 (2000 - \$123,051) and \$259 (2000 - \$291) for taxable benefits.

14 Subsequent events

Subsequent to year-end, the Society sold the building situated at 261 Piccadilly Street, London, Ontario for \$186,000, resulting in a gain of approximately \$55,000 less selling costs. The Society also purchased a building situated at 179 - 181 Wellington Street, London, Ontario for \$320,000. The purchase will be funded by the proceeds of the sale of the building as well as by the withdrawal from the London Building Fund.

15 Comparative figures

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