

# **The Canadian Hearing Society**

**Financial Statements**  
**March 31, 2006**

May 12, 2006

## **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, 2006 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 property, plant and equipment 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 property, plant and equipment 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, 2006 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, 2006

			2006	2005
	Operating fund \$	Designated funds \$	Total \$	Total \$
<b>Assets</b>				
<b>Current assets</b>				
Cash	494,989	-	494,989	13,671
Grants receivable	386,694	-	386,694	365,764
Accounts receivable	1,671,502	-	1,671,502	1,293,768
Inventory	451,317	-	451,317	511,365
Other assets	68,539	-	68,539	57,114
	3,073,041	-	3,073,041	2,241,682
<b>Investments</b>	-	3,299,897	3,299,897	3,522,601
<b>Interfund loan</b> (note 4)	(567,739)	567,739	-	-
<b>Property, plant and equipment</b> (notes 3 and 5)	4,168,526	-	4,168,526	4,189,985
	6,673,828	3,867,636	10,541,464	9,954,268
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	2,548,371	-	2,548,371	1,993,562
Amount repayable to funders (note 6)	678,263	-	678,263	1,342,153
Current portion of loan payable (note 7)	9,502	-	9,502	9,222
Deferred revenue (note 8)	197,081	-	197,081	161,519
	3,433,217	-	3,433,217	3,506,456
<b>Loan payable</b> (note 7)	11,810	-	11,810	21,312
	3,445,027	-	3,445,027	3,527,768
<b>Fund Balances</b>				
<b>Operating fund</b>				
Property, plant and equipment	4,168,526	-	4,168,526	4,189,985
General	(939,725)	-	(939,725)	(1,399,782)
<b>Designated funds</b> (note 9)	-	3,867,636	3,867,636	3,636,297
	3,228,801	3,867,636	7,096,437	6,426,500
	6,673,828	3,867,636	10,541,464	9,954,268

Approved by the Board of Directors

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Director

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Director

# The Canadian Hearing Society

## Statement of Operations

For the year ended March 31, 2006

			2006	2005
	Operating fund \$	Designated funds \$	Total \$	Total \$
<b>Revenue</b>				
Grants				
Province of Ontario (note 10)	13,775,377	-	13,775,377	12,969,151
Federal and other	1,760,332	-	1,760,332	2,194,450
Sales of goods and services	9,768,127	-	9,768,127	7,975,599
United Way contributions	1,905,123	-	1,905,123	1,857,907
Fundraising and gaming activities	1,609,855	47,444	1,657,299	1,840,946
Income on investments	10,795	283,256	294,051	138,279
	28,829,609	330,700	29,160,309	26,976,332
<b>Expenses</b>				
Salaries and benefits	18,126,372	-	18,126,372	17,106,585
Cost of sales	4,411,803	-	4,411,803	3,642,853
Office and program costs	1,958,427	-	1,958,427	2,013,042
Occupancy	1,472,773	-	1,472,773	1,542,798
Services costs	935,993	-	935,993	1,055,843
Professional development and travel	942,823	-	942,823	864,232
Promotion and gaming	558,075	-	558,075	637,764
Amortization of property, plant and equipment	50,634	-	50,634	54,931
Bad debts (recovery)	(4,380)	-	(4,380)	44,962
Client assistance and other	37,852	-	37,852	3,498
	28,490,372	-	28,490,372	26,966,508
<b>Excess of revenue over expenses before one-time governance costs</b>	339,237	330,700	669,937	9,824
<b>One-time governance costs</b>	-	-	-	566,319
<b>Excess (deficiency) of revenue over expenses for the year</b>	339,237	330,700	669,937	(556,495)

**The Canadian Hearing Society**  
Statement of Changes in Fund Balances  
For the year ended March 31, 2006

	Operating fund				2006	2005
	General \$	Property, plant and equipment \$	Total \$	Designated funds \$	Total \$	Total \$
<b>Balances - Beginning of year</b>	(1,399,782)	4,189,985	2,790,203	3,636,297	6,426,500	6,982,995
Excess (deficiency) of revenue over expenses for the year	389,871	(50,634)	339,237	330,700	669,937	(556,495)
Purchase of property, plant and equipment	(29,175)	29,175	-	-	-	-
Interfund transfers (note 4)	(1,039,086)	4,168,526	3,126,149	3,966,997	7,096,437	6,426,500
	99,361	-	99,361	(99,361)	-	-
<b>Balances - End of year</b>	(939,725)	4,168,526	3,228,801	3,867,636	7,096,437	6,426,500

# The Canadian Hearing Society

## Statement of Cash Flows

For the year ended March 31, 2006

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	2006 \$	2005 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	669,937	(556,495)
Adjustments for non-cash items		
Amortization of property, plant and equipment	50,634	54,931
Gain on investments	(283,255)	(118,217)
	437,316	(619,781)
Change in non-cash working capital balances		
Grants receivable	(20,930)	1,699
Accounts receivable	(377,734)	(203,366)
Inventory	60,048	(46,931)
Other assets	(11,425)	(22,965)
Accounts payable and accrued liabilities	554,809	43,554
Amount repayable to funders	(663,890)	455,518
Deferred revenue	35,562	(265,351)
	13,756	(657,623)
<b>Investing activities</b>		
Purchase of investments	(1,505,000)	(1,492,785)
Sale of investments	1,503,758	1,500,000
Withdrawals of investments	507,201	-
Loan payable	(9,222)	(8,932)
Purchase of property, plant and equipment	(29,175)	-
	467,562	(1,717)
<b>Change in cash during the year</b>	481,318	(659,340)
<b>Cash - Beginning of year</b>	13,671	673,011
<b>Cash - End of year</b>	494,989	13,671
<b>Supplementary information</b>		
Interest paid	6,703	1,463

# The Canadian Hearing Society

Notes to Financial Statements

March 31, 2006

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## 1 The organization

The Society provides services that enhance the independence of deaf, deafened and hard of hearing people, and encourages 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 13 regional offices, and its 15 area offices. These financial statements include the following funds:

- Operating fund - Invested in property, plant and equipment - includes funds that have been used for the purpose of purchasing property, plant and equipment, net of accumulated amortization and financing costs.
- Operating fund - General - includes program surpluses that 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 also include 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 donation 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.

# The Canadian Hearing Society

Notes to Financial Statements

March 31, 2006

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**e) Investments**

Investments are held in the Integra Capital Management pooled funds as well as in Scotiabank bankers' acceptances and are carried at market value.

**f) Property, plant and equipment**

Land and buildings acquired prior to 2003 are recorded at cost and no amortization is provided on the basis that the necessary financial information is not reasonably determinable.

The property, plant and equipment 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:

Buildings	40 years
Building improvements	5 years
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 property, plant and equipment 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, property, plant and equipment an amount totalling \$546,226 (2005 - \$554,424) along with the related amortization of approximately \$65,723 (2005 - \$73,197). The current year's amortization expense of property, plant and equipment previously expensed in prior years would have been an additional amount of approximately \$506,308 (2005 - \$670,299). The accumulated effect of this policy is to understate the net book value of property, plant and equipment and the property, plant and equipment fund balance by approximately \$1,027,900 (2005 - \$2,436,459).

**g) Fair value 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 values of financial instruments approximate 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. Due to system restrictions, the Society is not able to provide the market value of the recorded contributions. The Society is dependent on 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, 2006

## 3 Property, plant and equipment

	2006		
	Cost \$	Accumulated amortization \$	Net \$
Land and buildings (prior to 2003)	3,476,574	-	3,476,574
Land (post 2002)	200,000	-	200,000
Buildings (post 2002)	416,229	35,699	380,530
Building improvements (post 2002)	71,709	30,929	40,780
Furniture and equipment	254,526	183,884	70,642
Automobiles	27,947	27,947	-
Computer equipment	393,164	393,164	-
Computer equipment under capital lease	530,755	530,755	-
	5,370,904	1,202,378	4,168,526
	2005		
	Cost \$	Accumulated amortization \$	Net \$
Land and buildings (prior to 2003)	3,476,574	-	3,476,574
Land (post 2002)	200,000	-	200,000
Buildings (post 2002)	416,229	25,021	391,208
Building improvements (post 2002)	68,604	19,386	49,218
Furniture and equipment	228,456	158,731	69,725
Automobiles	27,947	24,687	3,260
Computer equipment	393,164	393,164	-
Computer equipment under capital lease	530,755	530,755	-
	5,341,729	1,151,744	4,189,985

## 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 fiscal 2006, the Society's Board of Directors approved the transfer of internally restricted funds amounting to \$242,911 (2005 - \$277,255). 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.

In addition, in fiscal 2006, the Society's Board approved an appropriation of \$143,550 (2005 - \$25,511) from the operating fund to the internally restricted fund for various building costs.

# The Canadian Hearing Society

Notes to Financial Statements

March 31, 2006

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## 5 Bank indebtedness

The Society has a line of credit with a chartered bank of up to \$1,030,000 bearing interest at prime plus 1/4% per annum, which is secured by a collateral first mortgage on 271 Spadina Road, Toronto, Ontario. At March 31, 2006, none of this facility was used (2005 - \$nil).

## 6 Amount repayable to funders

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

## 7 Loan payable

The loan is unsecured, bearing interest at 3% and is repayable in fixed monthly instalments of \$834.

The repayments of the loan are as follows:

	\$
2007	9,502
2008	9,791
2009	2,019
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	21,312
Less: Current portion	<u>(9,502)</u>
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	11,810

## 8 Deferred revenue

Deferred revenue reported in the operating fund relates to funding received in the current period that is related to specific programs in the subsequent period.

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

	2006	2005
	\$	\$
Balance - Beginning of year	161,519	426,870
Less: Amounts recognized as revenue in the year	(240,028)	(360,965)
Add: Amounts received related to subsequent years	275,590	95,614
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Balance - End of year	<u>197,081</u>	<u>161,519</u>

# The Canadian Hearing Society

Notes to Financial Statements

March 31, 2006

## 9 Designated funds

	2006 \$	2005 \$
Externally restricted by donor		
Allison Cochlear Implant Fund	25,540	23,379
Barbara Douglas Memorial Fund	21,241	-
Cecil Martin Fund	15,087	-
Donald & Anne C. McLean Fund*	254,766	234,130
Doris M. Schooley Fund	82,226	75,565
Dorothy O'Neill Research Fund	40,031	36,788
Hamilton Steele Children's Fund	234,245	215,271
Harper Fund	107,345	98,725
London Building Fund	102,743	113,089
Mississauga Building Fund	30,588	26,213
Niagara Evelyn Robbie Fund	149,098	126,742
Nicole Majorosi Fund	4,493	4,130
Peterborough Strathdee Fund	35,994	33,079
Walter Scott (Peterborough) Building Fund	106,829	104,940
Waterloo Building Occupancy Fund	46,722	89,371
	1,256,948	1,181,422
Board restricted - unrestricted by donor		
Award Fund	12,967	11,917
CHS Children's Fund	10,802	9,927
Eugene Fowler Volunteer Award	243	223
Grant Thorburn Trust Fund	174,647	160,500
Hamilton Access Fund	13,984	12,851
Hamilton Building Sustaining Fund	52,549	43,074
Head Office Building Fund	434,349	281,396
Kortwright Fund	14,143	12,998
McMurrich Fund	5,480	5,035
Niagara Client Assistance Fund	5,784	5,317
Ottawa Building Occupancy Fund	296,477	272,706
Ottawa Client Assistance Fund	20,881	10,000
Repairs and Equipment Fund	5,118	4,703
Stella Solski Fund	24,728	22,725
Sudbury Audiology Loan Reserve	22,928	30,423
Sudbury Client Assistance Fund	3,957	5,407
Toronto Access Fund	36,088	33,164
Trillium Foundation Stabilization Fund	1,457,966	1,477,534
Waterloo Senior Access Fund	2,927	2,690
Windsor Building Fund	14,670	52,285
	2,610,688	2,454,875
	3,867,636	3,636,297

\* This fund is a restricted fund and only the investment income earned on the fund balance can be used by the Society.

# The Canadian Hearing Society

Notes to Financial Statements

March 31, 2006

## 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.

Surplus amounts, if any, are reflected in amounts repayable to funders. The deficit amounts below include the cost of property, plant and equipment purchased during the year, and exclude amortization, in accordance with the contracts:

Contract name	Total contract \$	Deficit March 31, 2006 \$
Hamilton		
BPS	4,319	-
OIS	73,983	(35,239)
Kingston/Belleville		
BPS	3,221	-
OIS	140,718	(3,076)
London		
BPS	2,646	-
OIS	87,326	(9,004)
Ottawa		
BPS	7,647	-
OIS	115,129	(10,825)
Peel/Waterloo		
BPS	5,304	-
OIS	71,519	(15,991)
BPS	5,336	-
OIS	57,861	(27,229)
Peterborough		
BPS	3,750	-
OIS	131,734	(51,129)
Sault Ste. Marie		
BPS	4,683	-
OIS	73,389	(15,066)
Sudbury		
BPS	4,197	-
OIS	268,120	(25,176)
Thunder Bay		
BPS	6,544	-
OIS	67,887	(29,900)
Toronto		
BPS	208,089	-
ES	17,986	-
OIS	323,979	-
Enhancement	154,440	101,407
ES (ODSP)	326,066	13,546
Windsor/Chatham		
BPS	8,370	-
OIS	74,612	(66,045)
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	2,248,855	(173,727)
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# The Canadian Hearing Society

Notes to Financial Statements

March 31, 2006

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## 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:

	2006 \$	2005 \$
Revenue	225,073	204,329
Expenses		
Cost of tickets sold and promotion fees - retail	18,172	24,660
Promotion fees - agent	43,688	63,798
Licence fees	29,793	46,628
	<u>91,653</u>	<u>135,086</u>
Excess of revenue over expenses for the year	<u>133,420</u>	<u>69,243</u>

## 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:

	\$
2007	784,571
2008	470,284
2009	409,964
2010	268,910
2011	70,529
Thereafter	<u>4,075</u>
	<u>2,008,333</u>

## 13 Community service grant

The Society received a community service grant of \$14,800 (2005 - \$14,800) from the City of Toronto.

## 14 Community partnership program grant

The Society received a community partnership program grant of \$3,150 (2005 - \$3,150) from the City of Hamilton.

## 15 United Way contribution

The Society received a contribution of \$42,157 (2005 - \$38,168) from the United Way of Burlington and Greater Hamilton.