

Canadian Hearing Society

Non-consolidated Financial Statements
March 31, 2019



Independent auditor's report

To the Directors and Members of Canadian Hearing Society

Our qualified opinion

In our opinion, except for the effects and possible effects of the matters described in the *Basis for qualified opinion* section of our report, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of Canadian Hearing Society (the Organization) as at March 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

What we have audited

The Organization's non-consolidated financial statements comprise:

- the non-consolidated statement of financial position as at March 31, 2019;
- the non-consolidated statement of operations for the year then ended;
- the non-consolidated statement of changes in fund balances for the year then ended;
- the non-consolidated statement of cash flows for the year then ended; and
- the notes to the non-consolidated financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

The Organization has recorded its land and buildings acquired prior to 2003 in the amount of \$3,476,576 at cost. Since information is not available to separate the cost of the land and buildings, the Organization has chosen not to amortize the amount applicable to these buildings and we were also unable to quantify the effect of this departure from ASNPO. Therefore, we are not able to determine the magnitude of adjustments to amortization of property, plant and equipment and excess of revenue over expenses for the years ended March 31, 2019 and March 31, 2018, property, plant and equipment and total assets as at March 31, 2019 and March 31, 2018 and fund balances as at the beginning and end of the years ended March 31, 2019 and March 31, 2018. Our audit opinion on the non-consolidated financial statements for the year ended March 31, 2018 was modified accordingly because of the effects of this matter.

In common with many not-for-profit organizations, the Organization derives revenues from fundraising and gaming activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising and gaming activities revenue, excess of revenue over expenses and cash flows from operating activities for the years ended March 31, 2019 and March 31, 2018, current assets as at March 31, 2019 and

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March 31, 2018 and fund balances as at the beginning and the end of the years ended March 31, 2019 and March 31, 2018.

Our audit opinion on the non-consolidated financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the non-consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the non-consolidated financial statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with ASNPO, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the non-consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.



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

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization to express an opinion on the non-consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Concord, Ontario
June 28, 2019

Canadian Hearing Society

Non-consolidated Statement of Financial Position

As at March 31, 2019

				2019	2018
	Operating fund \$	Designated funds \$	Endowment funds \$	Total \$	Total \$
Assets					
Current assets					
Grants receivable	499,373	-	-	499,373	300,757
Accounts receivable	2,339,501	-	-	2,339,501	2,107,332
Due from related party (note 22)	975,345	-	-	975,345	-
Inventory	64,773	-	-	64,773	827,852
Other assets	515,129	-	-	515,129	294,676
Short-term investments (note 3)	-	-	-	-	1,000,000
Interfund receivable (note 5)	-	109,671	-	109,671	158,937
	4,394,121	109,671	-	4,503,792	4,689,554
Investments (note 3)	-	3,766,863	575,350	4,342,213	7,241,815
Investment in Canadian Hearing Services, Inc. (note 21)	2,700,002	-	-	2,700,002	-
Property, plant and equipment (note 4)	7,069,068	-	-	7,069,068	5,264,004
	14,163,191	3,876,534	575,350	18,615,075	17,195,373
Liabilities					
Current liabilities					
Bank indebtedness (note 6)	877,918	-	-	877,918	177,044
Accounts payable and accrued liabilities	1,579,915	-	-	1,579,915	1,998,722
Amount repayable to funders (note 7)	465,088	-	-	465,088	695,354
Deferred revenue (note 8)	1,408,311	-	-	1,408,311	1,148,309
Deferred contributions (note 9)	1,144,121	-	-	1,144,121	821,437
Interfund payable (note 5)	109,671	-	-	109,671	158,937
	5,585,024	-	-	5,585,024	4,999,803
Deferred capital contributions (note 10)	1,480,483	-	-	1,480,483	878,714
	7,065,507	-	-	7,065,507	5,878,517
Fund Balances					
Operating fund					
Property, plant and equipment	5,588,585	-	-	5,588,585	4,385,290
General	1,509,099	-	-	1,509,099	(469,186)
Designated funds (notes 5 and 11)	-	3,876,534	575,350	4,451,884	7,400,752
	7,097,684	3,876,534	575,350	11,549,568	11,316,856
	14,163,191	3,876,534	575,350	18,615,075	17,195,373
Lease commitments (note 17)					
Contingencies (note 20)					

Approved by the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements.

Canadian Hearing Society
Non-consolidated Statement of Operations
For the year ended March 31, 2019

				2019	2018
	Operating fund \$	Designated funds \$	Endowment funds \$	Total \$	Total \$
Revenue					
Grants					
Province of Ontario (notes 9, 10, 12 and 15)	21,904,789	-	-	21,904,789	23,890,044
Federal and other (notes 12 and 18)	740,859	-	-	740,859	688,122
Sale of goods and services (notes 8 and 13)	12,651,460	-	-	12,651,460	9,907,348
Regional United Way	1,505,403	-	-	1,505,403	1,594,550
Fundraising and gaming activities (notes 9 and 16)	1,265,761	-	-	1,265,761	1,137,338
Gain on sale of equipment	-	-	-	-	2,775
Interest and dividends	9,849	149,882	14,034	173,765	168,905
	38,078,121	149,882	14,034	38,242,037	37,389,082
Expenses					
Salaries and benefits	23,468,346	12,112	-	23,480,458	22,986,374
Cost of sales	5,459,618	-	-	5,459,618	3,476,222
Office and program costs	1,957,087	77	-	1,957,164	1,799,836
Occupancy	2,064,855	103	-	2,064,958	1,971,951
Service costs	2,026,827	499	-	2,027,326	2,670,568
Professional development and travel	1,195,357	1,189	-	1,196,546	1,252,380
Promotion and gaming	685,572	-	-	685,572	801,754
Amortization of property, plant and equipment	820,909	-	-	820,909	872,723
Bad debts	6,762	-	-	6,762	20,047
Client assistance and other	233,208	13,286	-	246,494	27,680
	37,918,541	27,266	-	37,945,807	35,879,535
Excess of revenue over expenses from operations	159,580	122,616	14,034	296,230	1,509,547
Fair value change in investments	-	(58,080)	(5,438)	(63,518)	54,785
Excess of revenue over expenses for the year	159,580	64,536	8,596	232,712	1,564,332

The accompanying notes are an integral part of these financial statements.

Canadian Hearing Society

Non-consolidated Statement of Changes in Fund Balances

For the year ended March 31, 2019

	2019					
	Operating fund					
	General \$	Property, plant and equipment \$	Total \$	Designated funds \$	Endowment funds \$	Total \$
Balances – Beginning of year	(469,186)	4,385,290	3,916,104	6,833,998	566,754	11,316,856
Excess of revenue over expenses for the year	159,580	-	159,580	64,536	8,596	232,712
Purchase of property, plant and equipment	(2,625,973)	2,625,973	-	-	-	-
Amortization of property, plant and equipment	820,909	(820,909)	-	-	-	-
Deferred capital contributions received (note 10)	1,069,546	(1,069,546)	-	-	-	-
Amortization of deferred capital contributions (note 10)	(467,777)	467,777	-	-	-	-
Appropriations (note 5)	(128,000)	-	(128,000)	128,000	-	-
Transfers from designated funds (note 5)	3,150,000	-	3,150,000	(3,150,000)	-	-
Balances – End of year	1,509,099	5,588,585	7,097,684	3,876,534	575,350	11,549,568
	2018					
	Operating fund					
	General \$	Property, plant and equipment \$	Total \$	Designated funds \$	Endowment funds \$	Total \$
Balances – Beginning of year	(849,763)	4,497,492	3,647,729	5,556,056	548,739	9,752,524
Excess of revenue over expenses for the year	1,396,375	-	1,396,375	149,942	18,015	1,564,332
Purchase of property, plant and equipment	(593,860)	593,860	-	-	-	-
Amortization of property, plant and equipment	872,723	(872,723)	-	-	-	-
Deferred capital contributions received (note 10)	429,045	(429,045)	-	-	-	-
Amortization of deferred capital contributions (note 10)	(595,706)	595,706	-	-	-	-
Appropriations (note 5)	(1,128,000)	-	(1,128,000)	1,128,000	-	-
Balances – End of year	(469,186)	4,385,290	3,916,104	6,833,998	566,754	11,316,856

The accompanying notes are an integral part of these financial statements.

Canadian Hearing Society

Non-consolidated Statement of Cash Flows

For the year ended March 31, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	232,712	1,564,332
Adjustments for non-cash items		
Amortization of property, plant and equipment	820,909	872,723
Amortization of deferred capital contributions	(467,777)	(595,706)
Investment income reinvested	(163,916)	(146,214)
Fair value change in investments	63,518	(54,785)
(Decrease) increase in sick leave benefit liability	-	(1,043,100)
	<u>485,446</u>	<u>597,250</u>
Changes in non-cash working capital balances		
Grants receivable	(198,616)	(114,807)
Accounts receivable	(232,169)	(509,196)
Due from related party	(975,345)	
Inventory	763,079	(150,381)
Other assets	(220,453)	51,244
Accounts payable and accrued liabilities	(418,807)	(1,168,868)
Amount repayable to funders	(230,266)	173,250
Deferred revenue	260,002	62,409
Deferred contribution	322,684	241,907
	<u>(444,445)</u>	<u>(817,192)</u>
Investing activities		
Investment in Canadian Hearing Services, Inc.	(2,700,002)	-
Contributions into investment portfolio	-	(2,128,000)
Withdrawal from investment portfolio	3,000,000	333,333
Withdrawal from short-term investments	1,000,000	-
Purchase of property, plant and equipment	(2,625,973)	(593,860)
	<u>(1,325,975)</u>	<u>(2,388,527)</u>
Financing activities		
Capital contributions	1,069,546	429,045
	<u>1,069,546</u>	<u>429,045</u>
Change in cash and cash equivalents during the year	(700,874)	(2,776,674)
(Bank indebtedness) cash and cash equivalents – Beginning of year	(177,044)	2,599,630
	<u>(177,044)</u>	<u>2,599,630</u>
Bank indebtedness – End of year	(877,918)	(177,044)
	<u>(877,918)</u>	<u>(177,044)</u>

The accompanying notes are an integral part of these financial statements.

Canadian Hearing Society

Notes to Non-consolidated Financial Statements

March 31, 2019

1 The Organization

Canadian Hearing Society (the Organization):

- has a vision to be the leading provider of services to Deaf and hard of hearing Canadians by advancing a barrier-free society; and
- has a mission to provide services and products that enable Deaf and hard of hearing Canadians to overcome barriers to participation.

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

On December 6, 2018, the Organization changed its name from Canadian Hearing Society to Canadian Hearing Services. The Organization is currently still operating under the name of Canadian Hearing Society.

2 Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and include the following significant policies.

Fund accounting

These financial statements include the operations of the head office of the Organization and its 22 locations. The Organization uses the restricted fund method of reporting restricted contributions. 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 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 of Directors; and
- Endowment funds – include donations that are required to be maintained by the Organization on a permanent basis, and also include investment income earned on those funds.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid securities with original maturities shorter than 90 days.

Canadian Hearing Society

Notes to Non-consolidated Financial Statements

March 31, 2019

Revenue recognition

Federal and provincial grant revenue and regional United Way contributions are recognized using the restricted fund method of accounting. Restricted grant revenue contributions for which no corresponding restricted fund is presented are recognized in the operating fund in accordance with the deferral method. Fundraising and gaming revenues are recognized when the donations are received and upon completion of the event.

All contributions are generally considered unrestricted contributions to the Organization unless a donor specifies otherwise. Unrestricted contributions would be reflected as revenue of the operating fund. If a donor specifies the contribution is for an existing endowed fund or specifies it is to be retained permanently, it is recognized as revenue of an endowment fund.

Goods and services revenue is recognized when the goods are sold or the service is rendered by the Organization, the risks and rewards of ownership have been transferred, the amount is estimable and collection is reasonably assured. Sale of goods includes sale of hearing aids and communication devices. Services include interpreting, translation services and American Sign Language classes.

Deferred revenue represents amounts received for services not yet provided for warranties, sound rewards program and Communication Device Program (CDP) installation program. These amounts are recognized into revenue on a straight-line basis over the term of the service provided. CDP installation revenue is recognized when the service is provided.

Interest and dividend income is recognized when earned.

Inventory

Inventory is recorded at the lower of cost, calculated on a first-in, first-out basis, and net realizable value. Cost is determined on a specific item basis for Hearing Aid Program inventory, and a weighted average basis for CDP inventory. Included in the cost of inventory are the purchase cost, transportation, handling and other costs directly attributable to the acquisition of inventory. An inventory valuation provision is estimated by management based on historical and expected future sales and is included in the cost of sales for the year ended March 31, 2019. Inventory expensed during the year amounts to \$4,652,546 (2018 – \$2,896,723), excluding the \$975,345 of inventory sold to a related party as described in note 22. This is included in cost of sales. The Organization recognized a writedown of \$nil (2018 – \$nil).

Investments

The Organization classifies its investments based on intention of use rather than the composition and maturity dates of the underlying investments. Although the Organization has the ability to liquidate its long-term investments at any given time, in substance the Organization intends to hold the long-term investments for a period of greater than one year, to provide sufficient investment income to enable the Organization to carry out its mission and related activities effectively in the long term, as well as to preserve capital by closely managing the risk of significant investment loss in line with the investment policy. Investments are managed by a third party investment manager reporting directly to the Audit and Finance Committee established by the Board of Directors. The investments consist of a mix of publicly traded long-term fixed income investments.

Canadian Hearing Society

Notes to Non-consolidated Financial Statements

March 31, 2019

The change in fair value of investments comprises realized and unrealized gains and losses from investments and is recorded in the non-consolidated statement of operations.

Investment in subsidiary company

The Organization's investment in its wholly owned subsidiary, Canadian Hearing Services, Inc. (CHS Inc.), is maintained in accordance with the equity method of accounting. CHS Inc. has a fiscal year end of December 31.

Under the equity method of accounting, the investment is recorded at cost and adjusted for the Organization's shares of income (loss) from the investment and share of contributions (distributions).

Deferred capital contributions

Contributions received for the purchase of property, plant and equipment are deferred and amortized into revenue over the same term and on the same basis as the related property, plant and equipment is amortized into expenses.

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 using the straight-line method based on the estimated useful lives of the particular assets over the following periods:

Buildings	40 years
Building improvements	five years
Furniture and equipment	five years
Automobiles	five years
Computer equipment	three years
Telephone equipment	six years
Video conferencing equipment	six years

Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment. An impairment charge is recognized for long-lived assets whenever events or changes in circumstances indicate a tangible capital asset no longer contributes to the Organization's ability to provide services. The impairment loss is calculated as the difference between the carrying amount and the residual value, if any. The amount of the writedown is recognized as an impairment loss in excess of revenue over expenses.

Canadian Hearing Society

Notes to Non-consolidated Financial Statements

March 31, 2019

Donated materials and services

Contributions, to the extent recognized in the fund accounts, are recorded at an approximation of fair value. Due to system restrictions, the Organization is not able to provide the fair value of the recorded contributions. The Organization is dependent on the ongoing support of volunteers, the value of which has not been quantified in these financial statements.

Expenditures

Direct expenditures have been charged to programs and services, fundraising and administration according to the activity to which they relate or benefit.

Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value. The Organization subsequently measures all of its financial assets and liabilities at amortized cost, except for investments in equity investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the non-consolidated statement of operations.

Financial assets measured at amortized cost include cash and cash equivalents, grants receivable, accounts receivable, interfund receivable and guaranteed investment certificates.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, amount repayable to funders and interfund payable.

Financial assets, other than those measured at fair value, are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines whether there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value. Impairments are recognized through the use of an allowance account, with a corresponding charge in the non-consolidated statement of operations.

Transaction costs are capitalized and amortized on a straight-line basis over the useful life of the related financial instrument.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. For all estimates, actual results could differ from those estimates.

Canadian Hearing Society

Notes to Non-consolidated Financial Statements

March 31, 2019

3 Short-term investments and investments

Short-term investments consist of the following:

	2019 \$	2018 \$
Guaranteed investment certificate held with Royal Bank of Canada, redeemable, 1.38%, matured September 27, 2018	-	1,000,000

Investments consist of the following:

	2019 \$	2018 \$
Equity instruments held in pooled funds with Leith Wheeler Investment Counsel Ltd. quoted in an active market	4,342,213	7,241,815

The following non-cash transactions were incurred by the Organization:

	2019 \$	2018 \$
Purchases of investments	4,324,174	3,459,274
Sale of investments	4,086,257	3,244,023

4 Property, plant and equipment

			2019	2018
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land and buildings (2002 and prior)	3,476,574	-	3,476,574	3,476,574
Land (post-2002)	100,000	-	100,000	100,000
Buildings (post-2002)	241,429	101,602	139,827	145,863
Building improvements (post-2002)	2,167,264	968,456	1,198,808	75,831
Furniture and equipment	3,207,325	2,005,238	1,202,087	1,094,909
Computer equipment	1,656,578	760,309	896,269	274,450
Telephone equipment	103,454	85,941	17,513	34,756
Video-conferencing equipment	526,195	488,205	37,990	61,621
	11,478,819	4,409,751	7,069,068	5,264,004

5 Interfund receivables and payables

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

Canadian Hearing Society

Notes to Non-consolidated Financial Statements

March 31, 2019

The Organization's Board of Directors approved an appropriation relating to fiscal 2019 of \$nil (2018 – \$1,000,000) to the strategic initiatives fund and \$128,000 (2018 – \$128,000) to building funds from the operating fund to the internally restricted fund for various uses and building costs. The Organization's Board of Directors approved the transfers of \$2,700,000 (2018 – \$nil) from the Strategic Initiatives Fund and \$450,000 (2018 – \$nil) from the Head Office Building Fund to the operating fund to be used for various uses and building improvements. The Organization's Board of Directors also approved all inter-fund transfers and a transfer of interest earned on endowment funds of \$nil (2018 – \$nil) to the designated funds.

6 Line of credit

The Organization has a line of credit with a chartered bank of up to \$2,030,000, bearing interest at prime plus 0.35% per annum, which is secured by a collateral first mortgage on 271 Spadina Road, Toronto, Ontario. As at March 31, 2019, \$470,000 (2018 – \$nil) of the line of credit had been utilized.

7 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.

8 Deferred revenue

Deferred revenue represents amounts received for services that have not yet been provided.

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

	2019 \$	2018 \$
Balance – Beginning of year	1,148,309	1,085,900
Less: Amounts recognized as revenue in the year	(393,456)	(509,656)
Add: Amounts received	653,458	572,065
	<hr/>	<hr/>
Balance – End of year	1,408,311	1,148,309

9 Deferred contributions

Deferred contributions represent amounts received that are related to specific uses for which the related expenditures have not been incurred.

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

	2019 \$	2018 \$
Balance – Beginning of year	821,437	579,530
Less: Amounts recognized as revenue in the year	(241,640)	(353,543)
Add: Amounts received	564,324	595,450
	<hr/>	<hr/>
Balance – End of year	1,144,121	821,437

Canadian Hearing Society

Notes to Non-consolidated Financial Statements

March 31, 2019

10 Deferred capital contributions

Deferred capital contributions include the unamortized portion of the capital contributions with which the Organization's building improvements and equipment purchases were made. The changes in the year to the deferred capital contributions balance are as follows:

	2019 \$	2018 \$
Balance – Beginning of year	878,714	1,045,375
Less: Amounts amortized into revenue	(467,777)	(595,706)
Add: Amounts received	1,069,546	429,045
	<hr/>	<hr/>
Balance – End of year	1,480,483	878,714

11 Designated funds

	2019 \$	2018 \$
Externally restricted by donor		
Allison Cochlear Implant Fund	38,108	37,826
CHS Children's Fund	38,670	47,311
Dorothy O'Neill Research Fund	35,136	34,611
Durham Area Fund	29,398	28,959
Hamilton Steele Children's Fund	400,880	398,568
IMO Monica Price Bursary	3,634	3,580
London Regional Fund	168,964	166,439
London Anne Sanderson Fund	92,843	91,456
Niagara Area Fund	275,459	271,344
Nicole Majorose Fund	7,998	7,879
Peel Regional Fund	38,163	37,593
Thunder Bay Sharon Bjorklund Fund	32,507	32,021
Waterloo Building Occupancy Fund	45,794	45,110
Waterloo Children's Fund	9,515	9,373
Waterloo Sertoma/LaSetoma Fund	226,959	237,221
	<hr/>	<hr/>
	1,444,028	1,449,291
Board restricted – unrestricted by donor		
Hamilton Access Fund	4,717	4,646
Hamilton Building Fund	86,160	84,872
Ottawa Regional Fund	322,637	317,818
Peterborough Regional Fund	189,532	186,701
Sault Ste. Marie Regional Fund	53,819	53,015
Head Office Building Fund	1,272,674	1,582,540
Strategic Initiatives Fund	190,574	2,847,390
Thunder Bay Regional Fund	33,108	32,613
Toronto Regional Fund	58,490	57,616
Training and Development Fund	197,389	194,440
Waterloo Regional Fund	23,127	22,781
Waterloo Stork Family Fund	279	275
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	2,432,506	5,384,707
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	3,876,534	6,833,998

Canadian Hearing Society

Notes to Non-consolidated Financial Statements

March 31, 2019

	2019 \$	2018 \$
Endowment funds*		
Donald and Anne C. McLean Fund*	224,528	221,173
Hamilton McCormick Fund	350,822	345,581
	<u>575,350</u>	<u>566,754</u>

* These are restricted funds and only the investment income earned on the fund balance can be used by the Organization.

12 Grants

The Organization has received the following grants:

	2019 \$	2018 \$
Provincial		
Ministry of Health and Long-Term Care/Local Health Integration Networks (LHINs)	9,750,275	10,706,760
Ministry of Community and Social Services (note 14)	8,692,058	9,712,763
Ministry of Training, Colleges and Universities	2,778,611	2,381,301
Ministry of Community and Social Services – Ontario Disability Support Program	679,874	572,412
Other	3,971	516,808
	<u>21,904,789</u>	<u>23,890,044</u>
Federal and Other		
Employment and Social Development Canada	106,001	51,048
Immigration, Refugees and Citizenship Canada	575,868	579,242
Other	58,990	57,832
	<u>740,859</u>	<u>688,122</u>
	<u>22,645,648</u>	<u>24,578,166</u>

13 Sale of goods and services

Sale of goods and services consists of the following:

	2019 \$	2018 \$
Sale of goods	8,785,933	6,223,953
Sale of services	3,865,527	3,683,395

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Non-consolidated Notes to Financial Statements

March 31, 2019

14 Grants from the Ministry of Community and Social Services

The Organization has a number of contracts with the Ministry of Community and Social Services. One requirement of the contracts is the production by management of a transfer payment annual report, which shows a summary of all revenue 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:

Region	Detail code	TPBE	Service name	Grant \$	Other revenues \$	Expenses \$	Surplus (deficit) \$
Provincial Ontario Interpreting Services							
Provincial	8783	109702	BPS – Other Adult Social Services	260,153	-	260,153	-
	9295	109702	ASL Interpreter Services Toronto	764,731	669,756	1,820,058	(385,571)
	9295	1000162	ASL Interpreter Services Central	1,125,157	510,183	1,731,708	(96,368)
	9295	1000165	ASL Interpreter Services West	1,203,867	431,521	1,575,418	59,970
	9295	1000167	ASL Interpreter Services East	1,561,517	485,461	1,928,626	118,352
	9295	1000168	ASL Interpreter Services North	886,776	150,583	879,106	158,253
	8754	109702	Interpreter Internship Program Langue de Québécoise (LSQ)	899,706	-	915,334	(15,628)
	8753	109702	Interpreter Services After-Hours Health Related Emergency	293,191	58,043	329,286	21,948
	8752	109702	Interpreting Services	725,971	217,374	805,932	137,413
				<u>7,721,069</u>	<u>2,522,921</u>	<u>10,245,621</u>	<u>(1,631)</u>
Intervenors Service Funding Sudbury							
	8746	1000169	Intervenors Services for Community Participation	966,792	-	968,934	(2,142)
	8783	1000169	BPS – Other Adult Social Services	4,197	-	4,197	-
				<u>8,692,058</u>	<u>2,522,921</u>	<u>11,218,752</u>	<u>(3,773)</u>
Less: Repayables for 2017 – 2018				<u>-</u>			
Total grants from Ministry of Community and Social Services				<u>8,692,058</u>			

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March 31, 2019

15 Language Interpreter Services Program

	2019 \$	2018 \$
Revenue	129,750	90,967
Expenses		
Salaries and benefits	29,088	18,071
Remuneration and travel	41,735	34,581
Program costs	7,990	17,000
Administration costs	11,509	23,118
	<u>90,322</u>	<u>92,770</u>
Excess (deficiency) of revenue over expenses for the year	<u>39,428</u>	<u>(1,803)</u>

16 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:

	2019 \$	2018 \$
Revenue	170,335	291,135
Expenses		
Cost of tickets sold and promotion fees – retail	23,489	39,841
Promotion fees – agent	53,199	90,683
Licence fees and other	42,860	61,466
	<u>119,548</u>	<u>191,990</u>
Excess of revenue over expenses for the year	<u>50,787</u>	<u>99,145</u>

17 Lease commitments

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

	\$
2020	1,143,160
2021	695,705
2022	400,618
2023	357,996
2024	316,908
Thereafter	<u>1,234,967</u>
	<u>4,149,354</u>

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18 Community service grant

The Organization received a community service grant of \$18,160 (2018 – \$17,785) from the City of Toronto.

19 Financial instruments

The main risks to which the Organization's financial instruments are exposed are interest rate risk, market risk and credit risk. It is management's opinion that the Organization is not exposed to significant foreign exchange risk, liquidity risk and cash flow risk.

Interest rate risk

The bonds and guaranteed investment certificates bear interest at fixed rates and as such the risk resulting from fluctuations in interest rates is low.

Market risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Organization. The Organization manages this risk by investing only in high quality bonds.

Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Organization to credit risk consist principally of cash and short-term investments. The Organization places its cash and short-term investments with high quality institutions to mitigate this risk.

The Organization is exposed to credit risk on accounts receivable from the public. The Organization's accounts receivable risk is considered to be low as receivables are recognized only if it is certain the monies will be received.

20 Contingencies

From time to time, lawsuits and claims have been brought against the Organization. The Organization vigorously contests such lawsuits and claims, and management believes any resulting outcome would not have a material effect on the non-consolidated statements of financial position and operations of the Organization.

21 Investment – subsidiary company

During the year, the Organization purchased all of the issued shares of CHS Inc., a newly incorporated corporation with share capital, for \$2,700,002.

Financial summaries of CHS Inc. as at March 31, 2019 are provided below. The entity prepares financial statements according to ASPE and CHS Inc.'s year-end is December 31.

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March 31, 2019

Financial position

	2019 \$ (in thousands of dollars)	2018 \$
Assets		
Cash	2,700	-
Inventory	975	-
	<hr/>	
	3,675	-
	<hr/>	
Liabilities	975	-
Equity	2,700	-
	<hr/>	
	3,675	-
	<hr/>	

The only cash flows for the period were capital contributions of \$2,700,002 and purchases of inventory from parent (the Organization) for \$975,000. There were no other transactions during the year.

22 Related party transactions

On March 31, 2019, \$975,345 of inventory was sold to CHS Inc. for a receivable of the same amount.

Related party transactions during the year are not in the normal course of operations and are measured at their carrying amount. Amounts due from CHS Inc. of \$975,345 (2018 – \$nil) are due on demand, are non-interest bearing and have no specific terms of repayment.

23 Comparative figures

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