

# **Canadian Hearing Services**

Non-consolidated Financial Statements

**March 31, 2020**



## *Independent auditor's report*

To the Directors and Members of Canadian Hearing Services

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### *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 Services (the Organization) as at March 31, 2020 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, 2020;
- 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.

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### *Basis for qualified opinion*

The Organization has recorded its land and buildings acquired prior to 2003 in the amount of \$3,476,574 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, 2020 and 2019, property, plant and equipment and total assets as at March 31, 2020 and 2019 and fund balances as at the beginning and end of the years ended March 31, 2020 and 2019. Our audit opinion on the non-consolidated financial statements for the year ended March 31, 2019 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 revenues over expenses and cash flows from operating activities for the years ended March 31, 2020 and 2019, current assets as at March 31, 2020 and 2019 and fund balances as at the beginning and the end of the years ended March 31, 2020 and 2019. Our audit opinion on the non-consolidated financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

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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.

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### *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.

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### *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

Vaughan, Ontario  
October 23, 2020

# Canadian Hearing Services

## Non-consolidated Statement of Financial Position

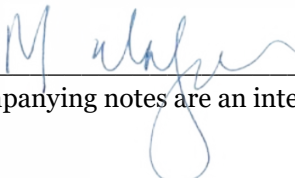

As at March 31, 2020

				2020	2019
	Operating fund \$	Designated funds \$	Endowment funds \$	Total \$	Total \$
<b>Assets</b>					
<b>Current assets</b>					
Cash	1,329,478	-	-	1,329,478	-
Grants receivable	324,373	-	-	324,373	499,373
Accounts receivable	869,786	-	-	869,786	2,339,501
Due from related party (note 22)	-	-	-	-	975,345
Inventory	61,418	-	-	61,418	64,773
Other assets	499,819	-	-	499,819	515,129
Interfund receivable (note 5)	-	115,406	-	115,406	109,671
	3,084,874	115,406	-	3,200,280	4,503,792
<b>Investments</b> (note 3)	-	3,509,271	538,024	4,047,295	4,342,213
<b>Investment in Canadian Hearing Services, Inc.</b> (note 21)	2,817,880	-	-	2,817,880	2,700,002
<b>Property, plant and equipment</b> (note 4)	7,091,955	-	-	7,091,955	7,069,068
	12,994,709	3,624,677	538,024	17,157,410	18,615,075
<b>Liabilities</b>					
<b>Current liabilities</b>					
Bank indebtedness (note 6)	-	-	-	-	877,918
Accounts payable and accrued liabilities	1,957,599	-	-	1,957,599	1,579,915
Amount repayable to funders (note 7)	476,550	-	-	476,550	465,088
Due to related party (note 22)	756,304	-	-	756,304	-
Deferred revenue (note 8)	19,503	-	-	19,503	1,408,311
Deferred contributions (note 9)	898,019	-	-	898,019	1,144,121
Interfund payable (note 5)	115,406	-	-	115,406	109,671
	4,223,381	-	-	4,223,381	5,585,024
<b>Deferred capital contributions</b> (note 10)	1,605,143	-	-	1,605,143	1,480,483
	5,828,524	-	-	5,828,524	7,065,507
<b>Fund Balances</b>					
<b>Operating fund</b>					
Property, plant and equipment	5,486,812	-	-	5,486,810	5,588,585
General	1,679,373	-	-	1,679,375	1,509,099
<b>Designated funds</b> (notes 5 and 11)	-	3,624,677	538,024	4,162,701	4,451,884
	7,166,185	3,624,677	538,024	11,328,886	11,549,568
	12,994,709	3,624,677	538,024	17,157,410	18,615,075

**Lease commitments** (note 17)

**Contingencies** (note 20)

**Approved by the Board of Directors**

 Director
  Director

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

**Canadian Hearing Services**  
**Non-consolidated Statement of Operations**  
**For the year ended March 31, 2020**

				2020	2019
	Operating fund \$	Designated funds \$	Endowment funds \$	Total \$	Total \$
<b>Revenue</b>					
Grants					
Province of Ontario (notes 9, 10, 12 and 15)	22,190,596	-	-	22,190,596	21,904,789
Federal and other (notes 12 and 18)	716,833	-	-	716,833	740,859
Sale of goods and services (notes 8 and 13)	-	-	-	-	12,651,460
Regional United Way	1,457,801	-	-	1,457,801	1,505,403
Fundraising and gaming activities (notes 9 and 16)	2,580,339	-	-	2,580,339	1,265,761
Miscellaneous	362,850	-	-	362,850	-
Interest and dividends	130	102,580	14,864	117,574	173,765
	27,308,549	102,580	14,864	27,425,993	38,242,037
<b>Expenses</b>					
Salaries and benefits	19,335,443	5,987	-	19,341,430	23,480,458
Cost of sales	-	-	-	-	5,459,618
Office and program costs	1,344,920	38	-	1,344,958	1,957,164
Occupancy	2,016,633	-	-	2,016,633	2,064,958
Service costs	1,664,496	628	-	1,665,124	2,027,326
Professional development and travel	934,143	27	-	934,170	1,196,546
Promotion and gaming	651,091	13	-	651,104	685,572
Amortization of property, plant and equipment	1,125,738	-	-	1,125,738	820,909
Bad debts	2,678	-	-	2,678	6,762
Client assistance and other	266,682	3,674	-	270,356	246,494
	27,341,824	10,367	-	27,352,191	37,945,807
<b>Excess (deficiency) of revenue over expenses from operations</b>	(33,275)	92,213	14,864	73,802	296,230
<b>Fair value change in investments</b>	-	(360,172)	(52,190)	(412,362)	(63,518)
<b>Income from investments accounted for using the equity method (note 21)</b>	117,878	-	-	117,878	-
<b>Excess (deficiency) of revenue over expenses for the year</b>	84,603	(267,959)	(37,326)	(220,682)	232,712

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

# Canadian Hearing Services

## Non-consolidated Statement of Changes in Fund Balances

For the year ended March 31, 2020

	<b>2020</b>					
	<b>Operating fund</b>					
	<b>General \$</b>	<b>Property, plant and equipment \$</b>	<b>Total \$</b>	<b>Designated funds \$</b>	<b>Endowment funds \$</b>	<b>Total \$</b>
<b>Balances – Beginning of year</b>	1,509,099	5,588,585	7,097,684	3,876,534	575,350	11,549,568
Excess (deficiency) of revenue over expenses for the year	84,603	-	84,603	(267,959)	(37,326)	(220,682)
Purchase of property, plant and equipment	(1,148,625)	1,148,625	-	-	-	-
Amortization of property, plant and equipment	1,125,738	(1,125,738)	-	-	-	-
Deferred capital contributions received (note 10)	734,006	(734,006)	-	-	-	-
Amortization of deferred capital contributions (note 10)	(609,346)	609,346	-	-	-	-
Appropriations (note 5)	(73,966)	-	(73,966)	73,966	-	-
Transfers from designated funds (note 5)	57,864	-	57,864	(57,864)	-	-
<b>Balances – End of year</b>	<b>1,679,373</b>	<b>5,486,812</b>	<b>7,166,185</b>	<b>3,624,677</b>	<b>538,024</b>	<b>11,328,886</b>
	<b>2019</b>					
	<b>Operating fund</b>					
	<b>General \$</b>	<b>Property, plant and equipment \$</b>	<b>Total \$</b>	<b>Designated funds \$</b>	<b>Endowment funds \$</b>	<b>Total \$</b>
<b>Balances – Beginning of year</b>	(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)	-	-
<b>Balances – End of year</b>	<b>1,509,099</b>	<b>5,588,585</b>	<b>7,097,684</b>	<b>3,876,534</b>	<b>575,350</b>	<b>11,549,568</b>

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

**Canadian Hearing Services**  
 Non-consolidated Statement of Cash Flows  
 For the year ended March 31, 2020

	2020 \$	2019 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	(220,682)	232,712
Adjustments for non-cash items		
Amortization of property, plant and equipment	1,125,738	820,909
Amortization of deferred capital contributions	(609,346)	(467,777)
Investment income reinvested	(117,444)	(163,916)
Fair value change in investments	294,484	63,518
	<u>472,750</u>	<u>485,446</u>
Changes in non-cash working capital balances		
Grants receivable	175,000	(198,616)
Accounts receivable	1,469,715	(232,169)
Due to (from) related party	1,124,306	-(975,345)
Inventory	3,355	763,079
Other assets	15,310	(220,453)
Accounts payable and accrued liabilities	377,684	(418,807)
Amount repayable to funders	11,462	(230,266)
Deferred revenue	(1,388,808)	260,002
Deferred contribution	(246,102)	322,684
	<u>2,014,672</u>	<u>(444,445)</u>
<b>Investing activities</b>		
Investment in Canadian Hearing Services, Inc.	-	(2,700,002)
Sale of business to Canadian Hearing Services, Inc.	607,343	-
Withdrawal from investment portfolio	-	3,000,000
Withdrawal from short-term investments	-	1,000,000
Purchase of property, plant and equipment	(1,148,625)	(2,625,973)
	<u>(541,282)</u>	<u>(2,301,320)</u>
<b>Financing activities</b>		
Capital contributions	734,006	1,069,546
<b>Change in cash and cash equivalents (bank indebtedness) during the year</b>	<u>2,207,396</u>	<u>(700,874)</u>
<b>Bank indebtedness – Beginning of year</b>	<u>(877,918)</u>	<u>(177,044)</u>
<b>Cash and cash equivalents (bank indebtedness) – End of year</b>	<u>1,329,478</u>	<u>(877,918)</u>

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



# Canadian Hearing Services

## Notes to Non-consolidated Financial Statements

March 31, 2020

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### 1 The Organization

Canadian Hearing Services (the Organization):

- has a vision to have a barrier-free society for Deaf and hard of hearing Canadians; and
- has a mission to be the leading organization delivering professional services and products that empower 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.

### 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 Services

## Notes to Non-consolidated Financial Statements

March 31, 2020

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### 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, 2020. Inventory expensed during the year amounts to \$nil (2019 – \$4,652,546), and the Organization recognized a writedown of \$nil (2019 – \$nil). Inventory goods is held in CHS, Inc. (note 21).

### 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 Services

## Notes to Non-consolidated Financial Statements

March 31, 2020

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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 share 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 Services

## Notes to Non-consolidated Financial Statements

March 31, 2020

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### **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 non-consolidated 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 non-consolidated 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 Services

## Notes to Non-consolidated Financial Statements

March 31, 2020

### 3 Investments

Investments consist of the following:

	2020 \$	2019 \$
Equity instruments held in pooled funds with Leith Wheeler Investment Counsel Ltd. quoted in an active market	4,047,295	4,342,213

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

	2020 \$	2019 \$
Purchases of investments	1,113,313	4,324,174
Sale of investments	959,409	4,086,257

### 4 Property, plant and equipment

	2020		2019	
	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	107,638	133,791	139,827
Building improvements (post-2002)	2,444,278	1,238,570	1,205,708	1,198,808
Furniture and equipment	3,376,595	2,446,786	929,809	1,202,087
Computer equipment	2,358,919	1,127,476	1,231,443	896,269
Telephone equipment	103,454	103,183	271	17,513
Video-conferencing equipment	526,195	511,836	14,359	37,990
	12,627,444	5,535,491	7,091,955	7,069,068

### 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.

The Organization's Board of Directors approved an appropriation relating to fiscal 2020 of \$nil (2019 – \$nil) to the Strategic Initiatives Fund and \$73,966 (2019 – \$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 \$nil (2019 – \$2,700,000) from the Strategic Initiatives Fund and \$57,864 (2019 – \$450,000) from the Head Office Building Fund to the operating fund to be used for various uses and building improvements.

# Canadian Hearing Services

## Notes to Non-consolidated Financial Statements

March 31, 2020

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### 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, 2020, \$nil (2019 – \$470,000) 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:

	2020 \$	2019 \$
Balance – Beginning of year	1,408,311	1,148,309
Less: Amounts recognized as revenue in the year	(227,568)	(393,456)
Less: Amounts transferred to CHS, Inc.	(1,165,454)	-
Add: Amounts received	4,214	653,458
	<hr/>	<hr/>
Balance – End of year	19,503	1,408,311

### 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:

	2020 \$	2019 \$
Balance – Beginning of year	1,144,121	821,437
Less: Amounts recognized as revenue in the year	(607,092)	(241,640)
Add: Amounts received	360,990	564,324
	<hr/>	<hr/>
Balance – End of year	898,019	1,144,121

# Canadian Hearing Services

## Notes to Non-consolidated Financial Statements

March 31, 2020

### 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:

	2020 \$	2019 \$
Balance – Beginning of year	1,480,483	878,714
Less: Amounts amortized into revenue	(609,346)	(467,777)
Add: Amounts received	734,006	1,069,546
	<hr/>	<hr/>
Balance – End of year	1,605,143	1,480,483

### 11 Designated funds

	2020 \$	2019 \$
Externally restricted by donor		
Allison Cochlear Implant Fund	35,300	38,108
CHS Children's Fund	36,161	38,670
Dorothy O'Neill Research Fund	32,856	35,136
Durham Area Fund	27,491	29,398
Hamilton Steele Children's Fund	356,555	400,880
IMO Monica Price Bursary	3,399	3,634
London Regional Fund	158,002	168,964
London Anne Sanderson Fund	86,820	92,843
Niagara Area Fund	257,589	275,459
Nicole Majorose Fund	7,479	7,998
Peel Regional Fund	35,687	38,163
Thunder Bay Sharon Bjorklund Fund	20,398	32,507
Waterloo Building Occupancy Fund	42,823	45,794
Waterloo Children's Fund	8,898	9,515
Waterloo Sertoma/LaSetoma Fund	212,011	226,959
	<hr/>	<hr/>
	1,321,469	1,444,028
Board restricted – unrestricted by donor		
Hamilton Access Fund	-	4,717
Hamilton Building Fund	67,821	86,160
Ottawa Regional Fund	281,602	322,637
Peterborough Regional Fund	177,236	189,532
Sault Ste. Marie Regional Fund	50,327	53,819
Head Office Building Fund	1,255,886	1,272,674
Strategic Initiatives Fund	178,211	190,574
Thunder Bay Regional Fund	30,960	33,108
Toronto Regional Fund	54,695	58,490
Training and Development Fund	184,583	197,389
Waterloo Regional Fund	21,626	23,127
Waterloo Stork Family Fund	261	279
	<hr/>	<hr/>
	2,303,208	2,432,506
	<hr/>	<hr/>
	3,624,677	3,876,534

# Canadian Hearing Services

## Notes to Non-consolidated Financial Statements

March 31, 2020

	2020 \$	2019 \$
Endowment funds*		
Donald and Anne C. McLean Fund*	209,962	224,528
Hamilton McCormick Fund	328,062	350,822
	<u>538,024</u>	<u>575,350</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:

	2020 \$	2019 \$
Provincial		
Ministry of Health and Long-Term Care/Local Health Integration Networks (LHINs)	9,941,455	9,750,275
Ministry of Community and Social Services (note 14)	8,533,763	8,692,058
Ministry of Labour, Training and Skills Development	2,947,700	2,778,611
Ministry of Community and Social Services – Ontario Disability Support Program	586,128	679,874
Other	181,550	3,971
	<u>22,190,596</u>	<u>21,904,789</u>
Federal and Other		
Employment and Social Development Canada	98,457	106,001
Immigration, Refugees and Citizenship Canada	562,816	575,868
Other	55,560	58,990
	<u>716,833</u>	<u>740,859</u>
	<u>22,907,429</u>	<u>22,645,648</u>

### 13 Sale of goods and services

Sale of goods and services consists of the following:

	2020 \$	2019 \$
Sale of goods	-	8,785,933
Sale of services	-	3,865,527



# Canadian Hearing Services

Non-consolidated Notes to Financial Statements

March 31, 2020

## 14 Grants from the Ministry of Children, Community and Social Services

The Organization has a number of contracts with the Ministry of Children, 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	F887	109702	BPS – Other Adult Social Services	264,350	-	264,350	-
	F804	109702	ASL Interpreter Services Toronto	1,921,988	544,744	2,022,411	444,321
	F804	1000162	ASL Interpreter Services Central	1,050,157	637,953	2,325,101	(636,991)
	F804	1000165	ASL Interpreter Services West	1,153,867	533,406	1,970,453	(283,180)
	F804	1000167	ASL Interpreter Services East	1,534,512	533,406	2,001,522	66,396
	F804	1000168	ASL Interpreter Services North	861,855	197,922	755,382	304,395
	F805	109702	Interpreter Internship Program	858,637	-	875,033	(16,396)
	F801	1000169	Deafblind Intervenor Services	888,397	-	890,179	(1,782)
				<u>8,533,763</u>	<u>2,447,431</u>	<u>11,104,431</u>	<u>(123,237)</u>

# Canadian Hearing Services

## Notes to Non-consolidated Financial Statements

March 31, 2020

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### 15 Language Interpreter Services Program

	2020 \$	2019 \$
Revenue	129,750	129,750
Expenses		
Salaries and benefits	33,198	29,088
Remuneration and travel	76,640	41,735
Program costs	4,398	7,990
Administration costs	16,033	11,509
	<u>130,269</u>	<u>90,322</u>
(Deficiency) excess of revenue over expenses for the year	<u>(519)</u>	<u>39,428</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:

	2020 \$	2019 \$
Revenue	274,465	170,335
Expenses		
Cost of tickets sold and promotion fees – retail	37,465	23,489
Promotion fees – agent	85,206	53,199
Licence fees and other	25,537	42,860
	<u>148,208</u>	<u>119,548</u>
Excess of revenue over expenses for the year	<u>126,257</u>	<u>50,787</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:

	\$
2021	1,165,129
2022	863,459
2023	812,379
2024	741,609
2025	720,033
Thereafter	<u>1,612,781</u>
	<u>5,915,390</u>

# Canadian Hearing Services

## Notes to Non-consolidated Financial Statements

March 31, 2020

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### 18 Community service grant

The Organization received a community service grant of \$18,560 (2019 – \$18,160) 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.

# Canadian Hearing Services

## Notes to Non-consolidated Financial Statements

March 31, 2020

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### 21 Investment – subsidiary company

During fiscal 2019, the Organization purchased all of the issued shares of CHS, Inc., a newly incorporated corporation with share capital, for \$2,700,002. CHS, Inc. prepares financial statements according to ASPE and has a fiscal year that spans from January 1 to December 31.

For the purposes of equity method of accounting for the Organization's investment in CHS, Inc., financial summaries of CHS, Inc. for the period from April 1, 2019 to March 31, 2020 are provided below.

#### Financial position

	Period from April 1, 2019 to March 31, 2020 \$ (in thousands of dollars)	Period from October 19, 2018 to March 31, 2019 \$
Assets		
Cash and cash equivalents	1,049	2,700
Accounts receivable	1,408	-
Due from related party	756	-
Inventory	1,318	975
	<hr/>	<hr/>
	4,531	3,675
Liabilities		
Accounts payable and accrued liabilities	505	-
Due to related party	-	975
Deferred revenue	1,208	-
Equity	2,818	2,700
	<hr/>	<hr/>
	4,531	3,675

#### Results of operations

	Period from April 1, 2019 to March 31, 2020 \$ (in thousands of dollars)	Period from October 19, 2018 to March 31, 2019 \$
Revenue	13,772	-
Expenses	13,654	-
	<hr/>	<hr/>
Excess of revenue over expenses for the year	118	-

# Canadian Hearing Services

## Notes to Non-consolidated Financial Statements

March 31, 2020

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### Cash flows

	Period from April 1, 2019 to March 31, 2020 \$ (in thousands of dollars)	Period from October 19, 2018 to March 31, 2019 \$
Operating activities	(1,044)	-
Investing activities	-	-
Financing activities	(607)	2,700
(Decrease) increase in cash during the year	(1,651)	2,700
Cash – Beginning of year	2,700	-
Cash – End of year	1,049	2,700

### 22 Related party transactions

Related party transactions with CHS, Inc. are measured at their carrying amount and all due to/from related party balances are due on demand, are non-interest bearing and have no specific terms of repayment. Related party transactions during the year in the normal course of business includes the use of shared services between the Organization and CHS, Inc., for which the Organization charged CHS, Inc. \$1,371,794 (2019 - \$nil). Related party transactions that were not in the normal course of operations includes the transfer of accounts receivable, accounts payable and deferred revenue balances for the sale of goods and services business to CHS, Inc. for net due to CHS, Inc. of \$368,000 (2019 – due from CHS, Inc. of \$975,345 for the transfer of inventory). The ending due to/from balance consists of the following:

	2020 \$	2019 \$
Due (to) from CHS, Inc. for the sale of business	-	975,345
Due (to) from CHS, Inc. for the use of shared services	(756,304)	-
Due (to) from related parties	(756,304)	975,345

# Canadian Hearing Services

## Notes to Non-consolidated Financial Statements

March 31, 2020

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### 23 COVID-19

In March 2020, the World Health Organization characterized the COVID-19 as a global pandemic and has resulted in the Federal government enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to business in Canada resulting in an economic slowdown. Equity markets have experienced significant volatility and weakness and the Federal government and the Bank of Canada have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The ongoing COVID-19 pandemic and events and circumstances resulting from that pandemic may have an impact on the Organization's business, operations and financial performance in fiscal 2021. However, this impact cannot be quantified at this time because of the significant uncertainty associated with the ultimate extent, duration and severity of the pandemic itself, and with the Federal government restrictions, effects on consumer behaviour and other factors associated with or resulting from that pandemic, many of which are beyond the Organization's control.

The Organization has been able to utilize online and virtual service delivery channels to remain open and deliver services to our clients.

### 24 Subsequent events

#### London property

In September 2020, the Organization listed its London, Ontario property (179-181 Wellington Street) for sale.