

Canadian Hearing Services

Non-consolidated Financial Statements

March 31, 2021



Independent auditor's report

To the Directors and Members of the Canadian Hearing Services

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, 2021 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.

What we have audited

The Organization's non-consolidated financial statements comprise:

- the non-consolidated statement of financial position as at March 31, 2021;
- 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 significant accounting policies and other explanatory information.

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 Canadian accounting standards for not-for-profit organizations. 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, 2021 and 2020, property, plant and equipment and total assets as at March 31, 2021 and 2020, and fund balances as at the beginning and end of the years ended March 31, 2021 and 2020. Our audit opinion on the non-consolidated financial statements for the year ended March 31, 2020 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, 2021 and 2020, current assets as at March 31, 2021 and 2020 and fund balances as at the beginning and the end of the years ended March 31, 2021 and

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2020. Our audit opinion on the non-consolidated financial statements for the year ended March 31, 2020 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 Canadian accounting standards for not-for-profit organizations, 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.

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
June 28, 2021

Canadian Hearing Services

Non-consolidated Statement of Financial Position

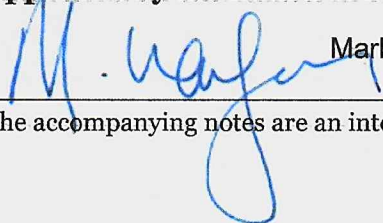
As at March 31, 2021

				2021	2020
	Operating fund \$	Designated funds \$	Endowment funds \$	Total \$	Total \$
Assets					
Current assets					
Cash	4,004,110	-	-	4,004,110	1,329,478
Grants receivable	432,755	-	-	432,755	324,373
Accounts receivable	906,705	-	-	906,705	869,786
Due from related party (note 21)	402	-	-	402	-
Other assets	650,781	-	-	650,781	561,237
Interfund receivable (note 5)	-	248,207	-	248,207	115,406
	5,994,753	248,207	-	6,242,960	3,200,280
Investments (note 3)	-	4,883,801	654,624	5,538,425	4,047,295
Investment in Canadian Hearing Services, Inc. (note 20)	2,904,682	-	-	2,904,682	2,817,880
Property, plant and equipment (note 4)	5,436,381	-	-	5,436,381	6,354,730
Intangible assets (note 4)	1,094,048	-	-	1,094,048	737,225
	15,429,864	5,132,008	654,624	21,216,496	17,157,410
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	2,605,613	-	-	2,605,613	1,957,599
Amount repayable to funders (note 7)	508,278	-	-	508,278	476,550
Due to related party (note 21)	1,647,462	-	-	1,647,462	756,304
Deferred revenue (note 8)	10,243	-	-	10,243	19,503
Deferred contributions (note 9)	688,638	-	-	688,638	898,019
Interfund payable (note 5)	248,209	-	-	248,209	115,406
	5,708,443	-	-	5,708,443	4,223,381
Deferred capital contributions (note 10)	1,784,160	-	-	1,784,160	1,605,143
	7,492,603	-	-	7,492,603	5,828,524
Fund Balances					
Operating fund					
Property, plant and equipment	4,746,270	-	-	4,746,270	5,486,810
General	3,190,991	-	-	3,190,991	1,679,375
Designated and Endowment funds (notes 5 and 11)	-	5,132,008	654,624	5,786,632	4,162,701
	7,937,261	5,132,008	654,624	13,723,893	11,328,886
	15,429,864	5,132,008	654,624	21,216,496	17,157,410

Lease commitments (note 16)

Contingencies (note 19)

Approved by the Board of Directors



Mark Wafer, Chair

Director



Michelle Séguin, Chair, Finance and Audit Committee

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, 2021

				2021	2020
	Operating fund \$	Designated funds \$	Endowment funds \$	Total \$	Total \$
Revenue					
Grants					
Province of Ontario (notes 9, 10, 12 and 14)	22,262,123	-	-	22,262,123	22,190,596
Federal and other (notes 12 and 17)	554,650	-	-	554,650	716,833
Regional United Way	1,333,987	-	-	1,333,987	1,457,801
Fundraising and gaming activities (notes 9 and 15)	948,538	-	-	948,538	2,580,339
Miscellaneous	524,826	-	-	524,826	362,850
Gain on disposal of assets	359,489	-	-	359,489	-
Interest and dividends	2	84,054	12,294	96,350	117,574
	25,983,615	84,054	12,294	26,079,963	27,425,993
Expenses					
Salaries and benefits	16,943,441	2,796	-	16,946,237	19,341,430
Office and program costs	1,504,714	-	-	1,504,714	1,344,958
Occupancy	1,834,094	-	-	1,834,094	2,016,633
Service costs	1,656,353	-	-	1,656,353	1,665,124
Professional development and travel	205,379	-	-	205,379	934,170
Promotion and gaming	413,531	-	-	413,531	651,104
Amortization of property, plant and equipment	1,486,003	-	-	1,486,003	1,125,738
Bad debts	12,609	-	-	12,609	2,678
Client assistance and other	529,972	-	-	529,972	270,356
	24,586,096	2,796	-	24,588,892	27,352,191
Excess of revenue over expenses from operations	1,397,519	81,258	12,294	1,491,071	73,802
Fair value change in investments	-	712,828	104,306	817,134	(412,362)
Income from investments accounted for using the equity method (note 20)	86,802	-	-	86,802	117,878
Excess (deficiency) of revenue over expenses for the year	1,484,321	794,086	116,600	2,395,007	(220,682)

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, 2021

	2021					
	Operating fund					
	General \$	Property, plant and equipment \$	Total \$	Designated funds \$	Endowment funds \$	Total \$
Balances – Beginning of year	1,679,373	5,486,812	7,166,185	3,624,677	538,024	11,328,886
Excess of revenue over expenses for the year	1,484,321	-	1,484,321	794,086	116,600	2,395,007
Purchase of property, plant and equipment	(1,152,234)	1,152,234	-	-	-	-
Disposal of property, plant and equipment	227,756	(227,756)	-	-	-	-
-Amortization of property, plant and equipment	1,486,003	(1,486,003)	-	-	-	-
Deferred capital contributions received (note 10)	1,008,663	(1,008,663)	-	-	-	-
Amortization of deferred capital contributions (note 10)	(829,646)	829,646	-	-	-	-
Appropriations (note 5)	(713,245)	-	(713,245)	713,245	-	-
Balances – End of year	3,190,991	4,746,270	7,937,261	5,132,008	654,624	13,723,893
	2020					
	Operating fund					
	General \$	Property, plant and equipment \$	Total \$	Designated funds \$	Endowment funds \$	Total \$
Balances – Beginning of year	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)	-	-
Balances – End of year	1,679,373	5,486,812	7,166,185	3,624,677	538,024	11,328,886

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, 2021

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	2,395,007	(220,682)
Adjustments for non-cash items		
Amortization of property, plant and equipment	1,486,003	1,125,738
Amortization of deferred capital contributions	(829,646)	(609,346)
Investment income reinvested	(96,350)	(117,444)
Fair value change in investments	(903,936)	294,484
Gain on disposal of assets	(359,489)	-
	<u>1,691,589</u>	<u>472,750</u>
Changes in non-cash working capital balances		
Grants receivable	(108,382)	175,000
Accounts receivable	(36,919)	1,469,715
Due to related party	890,756	1,124,306
Inventory	-	3,355
Other assets	(89,544)	15,310
Accounts payable and accrued liabilities	648,016	377,684
Amount repayable to funders	31,728	11,462
Deferred revenue	(9,260)	(1,388,808)
Deferred contribution	(209,381)	(246,102)
	<u>2,808,603</u>	<u>2,014,672</u>
Investing activities		
Sale of property, plant and equipment	587,245	-
Sale of business to Canadian Hearing Services, Inc.	-	607,343
Investment in investment portfolio	(577,645)	-
Purchase of property, plant and equipment	(1,152,234)	(1,148,625)
	<u>(1,142,634)</u>	<u>(541,282)</u>
Financing activities		
Capital contributions	<u>1,008,663</u>	<u>734,006</u>
Change in cash during the year	<u>2,674,632</u>	<u>2,207,396</u>
Cash (bank indebtedness) – Beginning of year	<u>1,329,478</u>	<u>(877,918)</u>
Cash – End of year	<u><u>4,004,110</u></u>	<u><u>1,329,478</u></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, 2021

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.

After the World Health Organization declared COVID-19 a global pandemic on March 11, 2020, governments declared states of emergency and imposed restrictions such as closures and social distancing measures, adversely impacting the Organization's operations. The Organization took several steps to protect the health and safety of employees and continuity, which included enhanced health and safety procedures and the purchase of personal protective equipment.

Given the nature of the business, the impact of the pandemic on the Organization's operations was not significant and the Organization operated at lower than normal levels during the year. The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Organization in future periods.

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

2 Summary of significant accounting policies

These non-consolidated 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 non-consolidated 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 non-consolidated 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;

Canadian Hearing Services

Notes to Non-consolidated Financial Statements

March 31, 2021

- 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

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

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.

Interest and dividend income is recognized when earned.

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.

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.

Canadian Hearing Services

Notes to Non-consolidated Financial Statements

March 31, 2021

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

Intangible assets

Certain software applications are recorded at cost, less accumulated amortization using the straight-line method based on the estimated useful lives of the intangible asset (five 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.

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.

Canadian Hearing Services

Notes to Non-consolidated Financial Statements

March 31, 2021

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 except for related parties, which are initially measured at exchange amount. 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.

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.

3 Investments

Investments consist of the following:

	2021 \$	2020 \$
Equity instruments held in pooled funds with Leith Wheeler Investment Counsel Ltd. quoted in an active market	5,538,425	4,047,295

Canadian Hearing Services

Notes to Non-consolidated Financial Statements

March 31, 2021

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

	2021 \$	2020 \$
Purchases of investments	386,014	1,076,853
Sale of investments	289,664	959,409

4 Property, plant and equipment

	2021		2020	
	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
Buildings (post-2002)	-	-	-	133,791
Building improvements (post-2002)	2,946,754	1,868,313	1,078,441	1,205,708
Furniture and equipment	3,441,865	2,838,417	603,448	929,809
Computer equipment	1,257,607	980,961	276,646	494,218
Telephone equipment	103,454	103,454	-	271
Video-conferencing equipment	526,195	524,923	1,272	14,359
	<u>11,752,449</u>	<u>6,316,068</u>	<u>5,436,381</u>	<u>6,354,730</u>
Intangible assets				
Software applications	<u>1,348,256</u>	<u>254,208</u>	<u>1,094,048</u>	<u>737,225</u>

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 2021 of \$585,245 (2020 – \$nil) to the Board Restricted Investment Fund and \$128,000 (2020 – \$73,966) 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 transfer of \$nil (2020 – \$57,864) from the Head Office Building Fund to the operating fund to be used for various uses and building improvements.

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, 2021, \$nil (2020 – \$nil) of the line of credit had been utilized.

Canadian Hearing Services

Notes to Non-consolidated Financial Statements

March 31, 2021

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:

	2021 \$	2020 \$
Balance – Beginning of year	19,503	1,408,311
Less: Amounts recognized as revenue in the year	(9,260)	(227,568)
Less: Amounts transferred to CHS, Inc.	-	(1,165,454)
Add: Amounts received	-	4,214
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Balance – End of year	10,243	19,503

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:

	2021 \$	2020 \$
Balance – Beginning of year	898,019	1,144,121
Less: Amounts recognized as revenue in the year	(312,459)	(607,092)
Add: Amounts received	103,078	360,990
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Balance – End of year	688,638	898,019

Canadian Hearing Services

Notes to Non-consolidated Financial Statements

March 31, 2021

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. Changes during the year to the deferred capital contributions balance are as follows:

	2021 \$	2020 \$
Balance – Beginning of year	1,605,143	1,480,483
Less: Amounts amortized into revenue	(829,646)	(609,346)
Add: Amounts received	1,008,663	734,006
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Balance – End of year	1,784,160	1,605,143

11 Designated funds

	2021 \$	2020 \$
Externally restricted by donor		
Allison Cochlear Implant Fund	42,950	35,300
CHS Children's Fund	43,999	36,161
Dorothy O'Neill Research Fund	39,977	32,856
Durham Area Fund	33,449	27,491
Hamilton Steele Children's Fund	430,831	356,555
IMO Monica Price Bursary	4,135	3,399
London Regional Fund	192,244	158,002
London Anne Sanderson Fund	105,635	86,820
Niagara Area Fund	313,413	257,589
Nicole Majorose Fund	9,100	7,479
Peel Regional Fund	43,421	35,687
Thunder Bay Sharon Bjorklund Fund	24,819	20,398
Waterloo Building Occupancy Fund	52,104	42,823
Waterloo Children's Fund	10,826	8,898
Waterloo Sertoma/LaSetoma Fund	257,488	212,011
	<hr/>	<hr/>
	1,604,391	1,321,469
Board restricted – unrestricted by donor		
Hamilton Building Fund	82,519	67,821
Board Restricted Investment Fund	585,245	-
Ottawa Regional Fund	342,631	281,602
Peterborough Regional Fund	215,645	177,236
Sault Ste. Marie Regional Fund	61,234	50,327
Head Office Building Fund	1,668,075	1,255,886
Strategic Initiatives Fund	216,833	178,211
Thunder Bay Regional Fund	37,669	30,960
Toronto Regional Fund	66,549	54,695
Training and Development Fund	224,586	184,583
Waterloo Regional Fund	26,313	21,626
Waterloo Stork Family Fund	318	261
	<hr/>	<hr/>
	3,527,617	2,303,208
	<hr/>	<hr/>
	5,132,008	3,624,677

Canadian Hearing Services

Notes to Non-consolidated Financial Statements

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	2021 \$	2020 \$
Endowment funds*		
Donald and Anne C. McLean Fund*	255,464	209,962
Hamilton McCormick Fund	399,160	328,062
	<hr/>	<hr/>
	654,624	538,024
	<hr/>	<hr/>

* 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:

	2021 \$	2020 \$
Provincial		
Ministry of Health and Long-Term Care/Local Health Integration Networks (LHINs)	10,150,445	9,941,455
Ministry of Children Community and Social Services (note 13)	8,639,717	8,533,763
Ministry of Labour, Training and Skills Development	2,581,935	2,947,700
Ministry of Children, Community and Social Services – Ontario Disability Support Program	552,389	586,128
Other	337,637	181,550
	<hr/>	<hr/>
	22,262,123	22,190,596
	<hr/>	<hr/>
Federal and other		
Employment and Social Development Canada	-	98,457
Immigration, Refugees and Citizenship Canada	528,157	562,816
Other	26,493	55,560
	<hr/>	<hr/>
	554,650	716,833
	<hr/>	<hr/>
	22,816,773	22,907,429
	<hr/>	<hr/>

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13 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:

Component name	Region / Branch	Grant \$	Other revenues \$	Expenses \$	Deficit \$
BPS-Other Adults' Social Services	Toronto	264,350	-	264,350	-
Intervenors Services	Toronto	888,397	-	888,422	(25)
Interpreting Services	Toronto	7,371,516	1,830,177	9,205,822	(4,129)
Interpreting Services -Pandemic Pay	Toronto	110,354	-	110,354	-
PFR – Minor Capital	Windsor	5,100	-	5,332	(232)
		<u>8,639,717</u>	<u>1,830,177</u>	<u>10,474,280</u>	<u>(4,386)</u>

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14 Language Interpreter Services Program

	2021 \$	2020 \$
Revenue	129,750	129,750
Expenses		
Salaries and benefits	48,148	33,198
Remuneration and travel	53,629	76,640
Program costs	13,000	4,398
Administration costs	15,017	16,033
	<u>129,794</u>	<u>130,269</u>
Deficiency of revenue over expenses for the year	<u>(44)</u>	<u>(519)</u>

15 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:

	2021 \$	2020 \$
Revenue	288,285	274,465
Expenses		
Cost of tickets sold and promotion fees – retail	39,052	37,465
Promotion fees – agent	90,664	85,206
Licence fees and other	20,742	25,537
	<u>150,458</u>	<u>148,208</u>
Excess of revenue over expenses for the year	<u>137,827</u>	<u>126,257</u>

16 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:

	\$
2022	1,007,561
2023	698,199
2024	526,180
2025	476,245
2026	322,522
Thereafter	<u>745,025</u>
	<u>3,775,732</u>

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17 Community service grant

The Organization received a community service grant of \$nil (2020 – \$18,560) from the City of Toronto.

18 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.

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.

19 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.

20 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.

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For the purposes of equity method of accounting for the Organization's investment in CHS, Inc., financial summaries of CHS, Inc. for the year ended March 31, 2021 are provided below.

Financial position

	2021 \$ (in thousands of dollars)	2020 \$
Assets		
Cash and cash equivalents	1,449	1,049
Accounts receivable	509	1,408
Due from related party	1,648	756
Inventory	1,156	1,318
	<hr/> 4,762	<hr/> 4,531
Liabilities		
Accounts payable and accrued liabilities	606	505
Deferred revenue	1,251	1,208
Equity	<hr/> 2,905	<hr/> 2,818
	<hr/> 4,762	<hr/> 4,531

Results of operations

	2021 \$ (in thousands of dollars)	2020 \$
Revenue	8,205	13,772
Expenses	<hr/> 8,118	<hr/> 13,654
Excess of revenue over expenses for the year	<hr/> 87	<hr/> 118

Cash flows

	2021 \$ (in thousands of dollars)	2020 \$
Operating activities	400	(1,044)
Investing activities	-	-
Financing activities	<hr/> -	<hr/> (607)
Change in cash during the year	400	(1,651)
Cash – Beginning of year	<hr/> 1,049	<hr/> 2,700
Cash – End of year	<hr/> 1,449	<hr/> 1,049

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21 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. \$1,239,946 (2020 – \$1,371,794). 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 \$872,948 (2020 – due from CHS, Inc. of \$368,000 for the transfer of inventory). The ending due to/from balance consists of the following:

	2021 \$	2020 \$
Due to CHS, Inc. for the sale of business	-	-
Due to CHS, Inc. for the use of shared services	(1,647,462)	(756,304)
Due to related parties	(1,647,462)	(756,304)

22 Comparative figures

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