

Canadian Hearing Services

Non-consolidated Financial Statements
March 31, 2022



Independent auditor's report

To the Directors and Members of Canadian Hearing Services

Our qualified opinion

In our opinion, except for the possible effects of the matter 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, 2022 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, 2022;
- 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 \$3,476,574 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 – held for sale and excess (deficiency) of revenue over expenses for the year ended March 31, 2022 and 2021, property, plant and equipment – held for sale and total assets as at March 31, 2022 and 2021, and fund balances as at the beginning and end of the years ended March 31, 2022 and 2021. Our audit opinion on the non-consolidated financial statements for the year ended March 31, 2021 was modified accordingly because of the effects of this matter.

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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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.

Other information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.



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

Ottawa, Ontario
June 22, 2022

Canadian Hearing Services

Non-consolidated Statement of Financial Position

As at March 31, 2022

	2022			2021
	Operating fund \$	Designated funds \$	Endowment funds \$	Total \$
Assets				
Current assets				
Cash	4,030,255	-	-	4,030,255
Grants receivable	182,955	-	-	182,955
Accounts receivable	794,128	-	-	794,128
Due from related party (note 16)	153,114	-	-	153,114
Other assets	196,389	-	-	196,389
Interfund receivable (note 3)	-	108,877	-	108,877
	5,356,841	108,877	-	5,465,718
Investments (note 4)	-	5,381,701	686,100	6,067,801
Investment – subsidiary company (notes 5 and 16)	-	-	-	-
Promissory note receivable (notes 5 and 16)	2,700,000	-	-	2,700,000
Property, plant and equipment (note 6)	1,314,519	-	-	1,314,519
Intangible assets (note 6)	940,753	-	-	940,753
Property, plant and equipment – held for sale (note 6)	3,894,927	-	-	3,894,927
	14,207,040	5,490,578	686,100	20,383,718
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	3,422,779	-	-	3,422,779
Amount repayable to funders (note 7)	675,599	-	-	675,599
Due to related party (note 16)	138,927	-	-	138,927
Deferred capital contributions (note 9)	644,633	-	-	644,633
Deferred contributions (note 8)	367,678	-	-	367,678
Interfund payable (note 3)	108,877	-	-	108,877
	5,358,493	-	-	5,358,493
Deferred capital contributions (note 9)	1,040,978	-	-	1,040,978
	6,399,471	-	-	6,399,471
Fund Balances				
Operating fund				
Property, plant and equipment	4,464,587	-	-	4,464,587
General	3,342,982	-	-	3,342,982
Designated and Endowment funds (note 10)	-	5,490,578	686,100	6,176,678
	7,807,569	5,490,578	686,100	13,984,247
	14,207,040	5,490,578	686,100	20,383,718

Lease commitments (note 13)

Contingencies (note 15)

Approved by the Board of Directors




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, 2022

	2022			2021
	Operating fund \$	Designated funds \$	Endowment funds \$	Total \$
Revenue				
Grants				
Province of Ontario (note 11)	22,784,919	-	-	22,784,919
Federal and other (note 11)	668,689	-	-	668,689
Regional United Way	1,081,311	-	-	1,081,311
Fundraising and gaming activities (note 12)	1,317,383	-	-	1,317,383
Miscellaneous	371,529	-	-	371,529
Gain on disposal of assets	-	-	-	-
Interest and dividends	5,479	110,362	14,013	129,854
	26,229,310	110,362	14,013	26,353,685
Expenses				
Salaries and benefits	19,269,192	989	-	19,270,181
Office and program costs	1,737,490	-	-	1,737,490
Occupancy	1,692,082	-	-	1,692,082
Service costs	730,346	-	-	730,346
Professional development and travel	406,905	-	-	406,905
Promotion and gaming	564,307	-	-	564,307
Amortization of property, plant and equipment	1,211,826	-	-	1,211,826
Bad debts	4,580	-	-	4,580
Client assistance and other	409,592	16,342	-	425,934
	26,026,320	17,331	-	26,043,651
Excess of revenue over expenses from operations	202,990	93,031	14,013	310,034
Fair value change in investments	-	137,539	17,463	155,002
Income (loss) from investments accounted for using the equity method (note 5)	(36,604)	-	-	(36,604)
Loss on sale of shares in CHS, Inc. (note 5)	(168,078)	-	-	(168,078)
Excess (deficiency) of revenue over expenses for the year	(1,692)	230,570	31,476	260,354

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, 2022

	2022					
	Operating fund					
	General \$	Property, plant and equipment \$	Total \$	Designated funds \$	Endowment funds \$	Total \$
Balances – Beginning of year	3,190,991	4,746,270	7,937,261	5,132,008	654,624	13,723,893
Excess (deficiency) of revenue over expenses for the year	(1,692)	-	(1,692)	230,570	31,476	260,354
Purchase of property, plant and equipment	(831,594)	831,594	-	-	-	-
Amortization of property, plant and equipment	1,211,826	(1,211,826)	-	-	-	-
Deferred capital contributions received (note 9)	555,338	(555,338)	-	-	-	-
Amortization of deferred capital contributions (note 9)	(653,887)	653,887	-	-	-	-
Appropriations (note 3)	(128,000)	-	(128,000)	128,000	-	-
Balances – End of year	3,342,982	4,464,587	7,807,569	5,490,578	686,100	13,984,247
	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 9)	1,008,663	(1,008,663)	-	-	-	-
Amortization of deferred capital contributions (note 9)	(829,646)	829,646	-	-	-	-
Appropriations (note 3)	(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

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, 2022

	2022 \$	2021 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	260,354	2,395,007
Adjustments for non-cash items		
Amortization of property, plant and equipment	1,211,826	1,486,003
Amortization of deferred capital contributions	(653,887)	(829,646)
Investment income reinvested	(124,375)	(96,350)
Fair value change in investments	(118,398)	(903,936)
Gain on disposal of assets	-	(359,489)
	575,520	1,691,589
Changes in non-cash working capital balances		
Grants receivable	249,800	(108,382)
Accounts receivable	112,577	(36,919)
Due from related party	(152,712)	(402)
Other assets	454,392	(89,544)
Accounts payable and accrued liabilities	817,166	648,016
Amount repayable to funders	167,318	31,728
Due to related party	(1,508,535)	891,158
Deferred contributions	(331,203)	(218,641)
	384,323	2,808,603
Investing activities		
Loss on sale of shares	168,078	-
Sale of property, plant and equipment	-	587,245
Sale of shares of CHS, Inc.	2,700,000	-
Promissory note receivable	(2,700,000)	-
Investment in investment portfolio	(250,000)	(577,645)
Purchase of property, plant and equipment	(831,594)	(1,152,234)
	(913,516)	(1,142,634)
Financing activities		
Capital contributions	555,338	1,008,663
Change in cash during the year	26,145	2,674,632
Cash – Beginning of year	4,004,110	1,329,478
Cash – End of year	4,030,255	4,004,110

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

Canadian Hearing Services

Notes to Non-consolidated Financial Statements

March 31, 2022

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 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;
- **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.

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.

Canadian Hearing Services

Notes to Non-consolidated Financial Statements

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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 are recognized when earned.

Cash

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

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.

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.

Canadian Hearing Services

Notes to Non-consolidated Financial Statements

March 31, 2022

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
Computer equipment	three 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.

Expenditures

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

Canadian Hearing Services

Notes to Non-consolidated Financial Statements

March 31, 2022

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 financial 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 consist of cash and cash equivalents, grants receivable, accounts receivable, interfund receivable and guaranteed investment certificates (GICs).

Financial liabilities measured at amortized cost consist of 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 non-consolidated 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 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 2022 of nil (2022 – \$585,245) to the Board Restricted Investment Fund and \$128,000 (2021 – \$128,000) to building funds from the operating fund to the internally restricted fund for various uses and building costs.

Canadian Hearing Services

Notes to Non-consolidated Financial Statements

March 31, 2022

4 Investments

Investments consist of the following:

	2022 \$	2021 \$
Equity instruments held in pooled funds with Leith Wheeler Investment Counsel Ltd. quoted in an active market	6,067,801	5,538,425

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

	2022 \$	2021 \$
Purchases of investments	565,951	386,014
Sale of investments	323,091	289,664

5 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 Canadian Accounting Standards for Private Enterprises and has a fiscal year that spans from January 1 to December 31.

On January 31, 2022, the Organization sold the shares of CHS, Inc. to The Canadian Hearing Services Group for \$2,700,000 in exchange for a promissory note receivable. The promissory note receivable is payable on demand, bears interest at prime rate less 1.45% and is secured with a pledge.

Income (loss) from investments accounted for using the equity method

	For the 10 months ended January 13, 2022 \$ (unaudited) (In thousands of dollars)	For the 12 months ended March 31, 2021 \$ (unaudited)
Revenue	9,970	8,205
Expenses	10,007	8,118
Excess (deficiency) of revenue over expenses for the year	(37)	87

Canadian Hearing Services

Notes to Non-consolidated Financial Statements

March 31, 2022

Loss with sale of shares of CHS, Inc.

	\$
Sale price	<u>2,700,000</u>
Opening value	2,904,682
Loss from investments accounted for using the equity method	<u>(36,604)</u>
Carrying value as at January 31, 2022	<u>2,868,078</u>
Loss with sale of shares	<u>(168,078)</u>

6 Property, plant and equipment

	<u>2022</u>		<u>2021</u>
	Cost \$	Accumulated amortization \$	Net \$
Building improvements (post-2002)	957,543	370,970	586,573
Furniture and equipment	1,693,642	1,320,010	373,632
Computer equipment	1,464,327	1,110,013	354,314
	<u>4,115,512</u>	<u>2,800,993</u>	<u>1,314,519</u>
			<u>1,275,735</u>

Intangible assets

	<u>2022</u>		<u>2021</u>
	Cost \$	Accumulated amortization \$	Net \$
Software applications	1,477,540	536,787	940,753
			<u>1,094,048</u>

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Notes to Non-consolidated Financial Statements

March 31, 2022

Property, plant and equipment – held for sale

	2022		2021	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land and buildings (2002 and prior)	3,476,574	-	3,476,574	3,476,574
Building improvements (post-2002)	1,493,075	1,268,872	224,203	354,980
Furniture and equipment	1,666,555	1,472,405	194,150	327,820
Video-conferencing equipment	526,195	526,195	-	1,272
	7,162,399	3,267,472	3,894,927	4,160,646

Assets held for sale comprise the property at 271 Spadina Road. The Organization obtained Board approval for sale of the property and entered into an agreement of sale prior to year-end.

7 Amount repayable to funders

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

8 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:

	2022 \$	2021 \$
Balance – Beginning of year	698,881	917,522
Less: Amounts recognized as revenue in the year	(538,444)	(321,719)
Add: Amounts received	207,241	103,078
Balance – End of year	367,678	698,881

Canadian Hearing Services

Notes to Non-consolidated Financial Statements

March 31, 2022

9 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:

	2022 \$	2021 \$
Balance – Beginning of year	1,784,160	1,605,143
Less: Amounts amortized into revenue	(653,887)	(829,646)
Add: Amounts received	555,338	1,008,663
Balance – End of year	1,685,611	1,784,160

10 Designated funds

	2022 \$	2021 \$
Externally restricted by donor		
Allison Cochlear Implant Fund	45,015	42,950
CHS Children's Fund	46,114	43,999
Dorothy O'Neill Research Fund	41,899	39,977
Durham Area Fund	35,057	33,449
Hamilton Steele Children's Fund	450,536	430,831
IMO Monica Price Bursary	4,334	4,135
London Regional Fund	201,488	192,244
London Anne Sanderson Fund	110,714	105,635
Niagara Area Fund	323,789	313,413
Nicole Majorose Fund	9,537	9,100
Peel Regional Fund	45,509	43,421
Thunder Bay Sharon Bjorklund Fund	26,012	24,819
Waterloo Building Occupancy Fund	54,609	52,104
Waterloo Children's Fund	11,347	10,826
Waterloo Sertoma/LaSetoma Fund	269,870	257,488
	1,675,830	1,604,391
Board restricted – unrestricted by donor		
Hamilton Building Fund	86,486	82,519
Board Restricted Investment Fund	613,385	585,245
Ottawa Regional Fund	347,518	342,631
Peterborough Regional Fund	226,016	215,645
Sault Ste. Marie Regional Fund	64,178	61,234
Head Office Building Fund	1,877,379	1,668,075
Strategic Initiatives Fund	227,259	216,833
Thunder Bay Regional Fund	39,481	37,669
Toronto Regional Fund	69,749	66,549
Training and Development Fund	235,385	224,586
Waterloo Regional Fund	27,579	26,313
Waterloo Stork Family Fund	333	318
	3,814,748	3,527,617
	5,490,578	5,132,008

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Notes to Non-consolidated Financial Statements

March 31, 2022

Endowment funds*		
Donald and Anne C. McLean Fund	267,748	255,464
Hamilton McCormick Fund	418,352	399,160
	<u>686,100</u>	<u>654,624</u>

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

11 Grants

The Organization has received the following grants:

	2022 \$	2021 \$
Provincial		
Ministry of Health and Long-Term Care/Local Health Integration Networks (LHINs)	10,209,982	10,150,445
Ministry of Children, Community and Social Services (Schedule 1)	8,844,422	8,639,717
Ministry of Labour, Training and Skills Development	2,654,037	2,581,935
Ministry of Children, Community and Social Services – Ontario Disability Support Program	638,179	552,389
Other	438,299	337,637
	<u>22,784,919</u>	<u>22,262,123</u>
Federal and other		
Immigration, Refugees and Citizenship Canada	631,557	528,157
Other	37,132	26,493
	<u>668,689</u>	<u>554,650</u>
	<u>23,453,608</u>	<u>22,816,773</u>

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Notes to Non-consolidated Financial Statements

March 31, 2022

12 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 presented under the fundraising and gaming activities:

	2022 \$	2021 \$
Revenue	266,210	288,285
Expenses		
Cost of tickets sold and promotion fees – retail	36,336	39,052
Promotion fees – agent	83,089	90,664
Licence fees and other	21,081	20,742
	140,506	150,458
Excess of revenue over expenses for the year	125,704	137,827

13 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:

	\$
2023	890,822
2024	641,759
2025	600,956
2026	459,614
2027	417,481
Thereafter	1,021,968
	4,032,600

14 Line of credit

The Organization has a line of credit with a chartered bank of up to \$2,030,000, bearing interest at prime rate plus 0.35% per annum, which is secured by a collateral first mortgage on 271 Spadina Road, Toronto, Ontario. As at March 31, 2022 and 2021, no amount of the line of credit has been utilized.

Canadian Hearing Services

Notes to Non-consolidated Financial Statements

March 31, 2022

15 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.

16 Related party transactions

Related party transactions with CHS Global Partnerships for Research & Innovation (CHSGPR&I) are measured at their carrying amount, and all due from related party balances are due on demand, are non-interest bearing and have no specific terms of repayment. The ending due from balance consists of the following:

	2022 \$	2021 \$
Due from CHSGPR&I	153,114	402

Related party transactions with CHS, Inc. are measured at their carrying amount, and all due to 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 include the use of shared services between the Organization and CHS, Inc., for which the Organization charged CHS, Inc. \$1,237,793 (2021 – \$1,239,946). Related party transactions that were not in the normal course of operations include 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 \$641,237 (2021 – \$872,948). The ending due to/from balance consists of the following:

	2022 \$	2021 \$
Due to CHS, Inc.	(138,927)	(1,647,462)

The promissory note receivable from CHS Group is payable on demand; interest rate is prime rate less 1.45% and it is secured with a pledge. The ending due from balance consists of the following:

	2022 \$	2021 \$
Promissory note receivable from CHS, Inc.	2,700,000	-

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Notes to Non-consolidated Financial Statements

March 31, 2022

17 Financial instruments

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations.

Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Organization monitors its cash balances and cash flows generated from operations to meet its requirements.

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk

Interest rate risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest instruments subject the Organization to fair value risk, while floating interest rate instruments subject it to cash flow risk. As at March 31, 2022, the Organization's exposure to interest rate risk is as follows:

Cash and cash equivalents
Marketable investments – Bonds

Fixed and floating rate
Fixed and floating rate

Currency risk

Currency risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises when financial assets or financial liabilities are denominated in a currency other than Canadian dollars. The Organization is not exposed to significant currency risk.

Other price risk

Other price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization's exposure to this risk arises from its marketable investments in corporate equities and pooled equity funds. The Organization invests in a diversified portfolio of securities and is not exposed to concentrations of other price risk to a particular industry or company.

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Credit risk

The Organization's credit risk arises on cash and cash equivalents, accounts receivable and short-term investments. The Organization's cash and cash equivalents and marketable investments are maintained at major financial institutions; therefore, the Organization considers the risk of non-performance of these instruments to be remote.

To manage the credit risk on accounts receivable, the Organization assesses the credit risk of outstanding balances. The allowance for doubtful accounts recognized by the Organization on trade receivables is insignificant. Accounts receivables are generally due within 30 to 90 days. No accounts receivable mature beyond one year.

18 Subsequent event

Property at 271 Spadina Road

On April 22, 2022, the Organization completed the sale of its property classified as held for sale as at March 31, 2022, and entered into a leaseback agreement for a portion of the building. The line of credit, which was previously secured by the mortgage on the building, will now be secured by GICs.

19 Impact of COVID-19 pandemic

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic, which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. As it is difficult to predict the duration and magnitude of the pandemic, plenty of uncertainty prevails at this time. It is expected that the financial markets will remain extremely fragile until there is more visibility surrounding the COVID-19 crisis, and as a result, it is too early to reliably measure the potential impact on the Organization's investments and the severity of the crisis on the Organization's financial results and operations.

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Supplementary Information

(Unaudited)

For the year ended March 31, 2022

Schedules

Schedule 1 – Grants from the Ministry of Children, Community and Social Services

As required by the Ministry of Children, Community and Social Services, a transfer payment annual report, which shows a summary of all revenue and expenditures and any resulting surplus or deficit. 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 \$	Surplus (deficit) \$
BPS-Other Adults' Social Services	Toronto	264,350	-	264,350	-
Intervenor Services	Toronto	888,397	-	888,631	(234)
Interpreting Services	Toronto	7,431,016	2,807,603	10,137,035	101,584
Interpreting Services – Pandemic Pay	Toronto	191,630	-	94,641	96,989
COVID-19 Community Support Fund	Toronto	324,000	-	306,287	17,713
PFR – Minor Capital	Sudbury	3,400	-	3,400	-
PFR – Minor Capital	North Bay	3,700	-	3,700	-
PFR – Minor Capital	Timmins	3,700	-	3,700	-
PFR – Minor Capital	Thunder Bay	3,700	-	3,700	-
		9,113,893	2,807,603	11,705,444	216,052
Less: Repayables for 2021–2022		216,271			
Less: Repayables for 2020–2021		53,210			
Total grants from Ministry of Children, Community and Social Services		8,844,412			

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Supplementary Information ...*continued*

(Unaudited)

For the year ended March 31, 2022

Schedules

Schedule 2 – Language Interpreter Services Program

As required by the Ministry of Labour, Training and Skills Development, a transfer payment annual report, which shows a summary of all revenue and expenditures and any resulting surplus or deficit. 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:

	2022 \$	2021 \$
Revenue	129,750	129,750
Expenses		
Salaries and benefits	39,823	48,148
Remuneration and travel	61,632	53,629
Program costs	13,157	13,000
Administration costs	15,152	15,017
	129,764	129,794
Deficiency of revenue over expenses for the year	(14)	(44)