

Canadian Hearing Society

Financial Statements

March 31, 2017



June 23, 2017

Independent Auditor's Report

To the Directors and Members of Canadian Hearing Society

We have audited the accompanying financial statements of Canadian Hearing Society (the Society), which comprise the statement of financial position as at March 31, 2017 and the statements of operations, changes in fund balances and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Basis for qualified opinion

Commencing in fiscal 1998, the Society decided to expense certain purchases of property, plant and equipment and record as revenue the related funding received, in accordance with instructions received from certain government agencies. ASNPO requires asset purchases to be capitalized and the related capital contributions recorded as deferred capital contributions, and amortized on a continuing basis over similar terms. In the current year, the Society expensed in the operating fund - occupancy and office and program costs, property, plant and equipment of \$411,141 (2016 - \$860,622), and recorded as revenue the offsetting funding. Consequently, amortization expense for the year ended March 31, 2017 is understated by \$819,993 (2016 - \$842,228), and revenue is understated by the related amortization of the deferred capital contribution. The accumulated effect of this policy is to understate the net book value of property, plant and equipment as at March 31, 2017 by \$1,676,600 (2016 - \$2,085,452) and the related capital contribution.

The Society has recorded its land and buildings acquired prior to 2003 in the amount of \$3,476,576 at cost. Since the information is not available to separate the cost of the land and buildings, the Society chooses not to amortize these amounts and we were unable to quantify the effect of this departure from ASNPO. Therefore, we were not able to determine the magnitude of adjustments to amortization of property, plant and equipment, deficiency of revenue over expenses for the years ended March 31, 2017 and March 31, 2016, property, plant and equipment and total assets as at March 31, 2017 and March 31, 2016, and fund balances as at the beginning and end of the years ended March 31, 2017 and March 31, 2016.

In common with many not-for-profit organizations, the Society derives revenue from fundraising and gaming activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these fundraising and gaming revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising and gaming revenue, deficiency of revenue over expenses and cash flows from operating activities for the years ended March 31, 2017 and March 31, 2016, current assets as at March 31, 2017 and March 31, 2016 and fund balances as at the beginning and end of the years ended March 31, 2017 and March 31, 2016.

Our audit opinion on the financial statements for the year ended March 31, 2016 was modified due to the above-noted matters.

Qualified opinion

In our opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with ASNPO.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Canadian Hearing Society

Statement of Financial Position

As at March 31, 2017

				2017	2016
	Operating fund \$	Designated funds \$	Endowment funds \$	Total \$	Total \$
Assets					
Current assets					
Cash and cash equivalents (note 6)	2,599,630	-	-	2,599,630	1,169,318
Grants receivable	185,950	-	-	185,950	194,407
Accounts receivable	1,598,136	-	-	1,598,136	1,605,152
Inventory	677,471	-	-	677,471	503,120
Other assets	345,920	-	-	345,920	116,677
Short-term investments (note 3)	333,333	-	-	333,333	-
Interfund receivable (note 5)	-	191,979	-	191,979	240,302
	5,740,440	191,979	-	5,932,419	3,828,976
Investments (note 3)	-	5,364,077	548,739	5,912,816	4,095,753
Property, plant and equipment (note 4)	3,867,574	-	-	3,867,574	3,953,981
	9,608,014	5,556,056	548,739	15,712,809	11,878,710
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	3,167,589	-	-	3,167,589	1,876,691
Amount repayable to funders (note 7)	522,104	-	-	522,104	321,195
Deferred revenue (note 8)	1,665,431	-	-	1,665,431	1,565,967
Interfund payable (note 5)	191,979	-	-	191,979	240,302
	5,547,103	-	-	5,547,103	4,004,155
Sick leave benefit (note 9)	1,043,100	-	-	1,043,100	1,226,000
	6,590,203	-	-	6,590,203	5,230,155
Fund Balances					
Operating fund					
Property, plant and equipment	3,867,574	-	-	3,867,574	3,953,981
General	(849,763)	-	-	(849,763)	(1,641,481)
Designated funds (notes 5 and 10)	-	5,556,056	548,739	6,104,795	4,336,055
	3,017,811	5,556,056	548,739	9,122,606	6,648,555
	9,608,014	5,556,056	548,739	15,712,809	11,878,710

Lease commitments (note 15)

Contingencies (note 19)

Approved by the Board of Directors

_____ Director _____ Director

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

Canadian Hearing Society

Statement of Operations

For the year ended March 31, 2017

				2017	2016
	Operating fund \$	Designated funds \$	Endowment funds \$	Total \$	Total \$
Revenue					
Grants					
Province of Ontario (note 11)	21,111,899	-	-	21,111,899	20,978,117
Federal and other (notes 11 and 16)	547,247	-	-	547,247	514,323
Sales of goods and services (note 8)	10,609,284	-	-	10,609,284	10,237,740
Regional United Way (note 17)	1,539,223	-	-	1,539,223	1,623,021
Fundraising and gaming activities (note 8)	822,812	-	-	822,812	1,382,058
Gain on sale of equipment	-	-	-	-	1,000
Interest and dividends	2,088	98,493	11,656	112,237	118,947
	<u>34,632,553</u>	<u>98,493</u>	<u>11,656</u>	<u>34,742,702</u>	<u>34,855,206</u>
Expenses					
Salaries and benefits	22,680,655	1,131	-	22,681,786	24,308,884
Cost of sales	3,526,198	-	-	3,526,198	3,959,505
Office and program costs	1,657,600	3,902	-	1,661,502	1,728,988
Occupancy	2,025,879	-	-	2,025,879	2,428,834
Service costs	1,420,700	25,212	-	1,445,912	1,107,106
Professional development and travel	1,029,169	16,890	-	1,046,059	1,197,178
Promotion and gaming	369,160	-	-	369,160	665,433
Amortization of property, plant and equipment	86,407	-	-	86,407	91,583
Bad debts	15,442	-	-	15,442	64,428
Client assistance and other	77,643	1,188	-	78,831	151,596
	<u>32,888,853</u>	<u>48,323</u>	<u>-</u>	<u>32,937,176</u>	<u>35,703,535</u>
Excess (deficiency) of revenue over expenses from operations	1,743,700	50,170	11,656	1,805,526	(848,329)
Fair value change in investments	-	408,564	48,350	456,914	(222,429)
Excess (deficiency) of revenue over expenses for the year	<u>1,743,700</u>	<u>458,734</u>	<u>60,006</u>	<u>2,262,440</u>	<u>(1,070,758)</u>

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

Canadian Hearing Society
Statement of Changes in Fund Balances
For the year ended March 31, 2017

	2017					
	Operating fund					
	General \$	Property, plant and equipment \$	Total \$	Designated funds \$	Endowment funds \$	Total \$
Balances - Beginning of year	(1,641,481)	3,953,981	2,312,500	3,847,322	488,733	6,648,555
Excess (deficiency) of revenue over expenses for the year	1,830,107	(86,407)	1,743,700	458,734	60,006	2,262,440
Remeasurement of sick leave benefit liability (note 9)	211,611	-	211,611	-	-	211,611
Appropriations (note 5)	(1,250,000)	-	(1,250,000)	1,250,000	-	-
Balances - End of year	(849,763)	3,867,574	3,017,811	5,556,056	548,739	9,122,606
	2016					
	Operating fund					
	General \$	Property, plant and equipment \$	Total \$	Designated funds \$	Endowment funds \$	Total \$
Balances - Beginning of year	(1,876,354)	4,045,564	2,169,210	4,872,198	497,404	7,538,812
Excess (deficiency) of revenue over expenses for the year	212,372	(91,583)	120,789	(1,182,876)	(8,671)	(1,070,758)
Remeasurement of sick leave benefit liability (note 9)	180,501	-	180,501	-	-	180,501
Appropriations (note 5)	(158,000)	-	(158,000)	158,000	-	-
Balances - End of year	(1,641,481)	3,953,981	2,312,500	3,847,322	488,733	6,648,555

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

Canadian Hearing Society

Statement of Cash Flows

For the year ended March 31, 2017

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	2,262,440	(1,070,758)
Adjustments for non-cash items		
Amortization of property, plant and equipment	86,407	91,583
Interest and dividends reinvested	(110,149)	(118,947)
Fair value change in investments	(456,914)	222,429
Increase (decrease) in sick leave benefit liability	28,711	(30,499)
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	1,810,495	(906,192)
Changes in non-cash working capital balances		
Grants receivable	8,457	21,253
Accounts receivable	7,016	(54,242)
Inventory	(174,351)	809
Other assets	(229,243)	149,404
Accounts payable and accrued liabilities	1,290,898	105,043
Amount repayable to funders	200,909	54,351
Deferred revenue	99,464	296,908
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	3,013,645	(332,666)
Investing activities		
Net (purchase) sale of investments	(1,583,333)	600,000
Change in cash and cash equivalents during the year		
	1,430,312	267,334
Cash and cash equivalents - Beginning of year		
	1,169,318	901,984
Cash and cash equivalents - End of year		
	<hr/>	<hr/>
	2,599,630	1,169,318
Cash and cash equivalents consist of		
Cash	932,963	1,169,318
Cash equivalents	1,666,667	-
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	2,599,630	1,169,318
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The accompanying notes are an integral part of these financial statements.

Canadian Hearing Society

Notes to Financial Statements

March 31, 2017

1 The organization

Canadian Hearing Society (the Society):

- has a vision where all people are respected, have full access to communication, and are able to participate without social, economic, or emotional barriers; and
- has a mission to be the leading provider of services, products and information that:
 - remove barriers to communication;
 - advance hearing health; and
 - promote equity for people who are culturally deaf, oral deaf, deafened, and hard of hearing.

The Society 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 Society and its 26 locations. The Society 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; and
- Endowment funds - include donations that are required to be maintained by the Society on a permanent basis, and also include investment income earned on those funds.

Canadian Hearing Society

Notes to Financial Statements

March 31, 2017

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.

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. Goods and services revenue is recognized when the goods are sold or the service is rendered by the Society. Fundraising and gaming activities revenue is recognized when the donations are received.

All contributions are generally considered unrestricted contributions to the Society 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.

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 Communicative Device Program 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, 2017. Inventory expensed during the year amounts to \$2,904,104 (2016 - \$3,485,819). This is included in cost of sales. The Society recognized a writedown of \$nil (2016 - \$nil).

Investments

The Society classifies its investments based on intention of use rather than the composition and maturity dates of the underlying investments. Although the Society has the ability to liquidate its long-term investments at any given time, in substance the Society intends to hold the long-term investments for a period greater than one year, to provide sufficient investment income to enable the Society 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 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 statement of operations.

Canadian Hearing Society

Notes to Financial Statements

March 31, 2017

Property, plant and equipment

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

The property, plant and equipment purchased from operating funds are recorded at cost, less accumulated amortization. Amortization is computed on the straight-line basis based on the estimated useful lives of the particular assets over the following periods:

Buildings	40 years
Building improvements	5 years
Furniture and equipment	5 years
Automobiles	5 years
Computer equipment	3 years
Telephone equipment	6 years
Video conferencing equipment	6 years

Impairment of long-lived assets

The Society 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 Society'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 (deficiency) 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 Society is not able to provide the fair value of the recorded contributions. The Society is dependent on the ongoing support of volunteers, the value of which has not been quantified in these financial statements.

Employee future benefits

The Society provides a sick day post-employment benefit to its unionized and non-unionized employees pursuant to their employment contracts. Employees receive a maximum of 18 sick days per annum and unused days accumulate. Employees are entitled to a cash payment equal to 50% of the value of the unused sick days on retirement at 65 years of age or older, or death. The Society accrues its obligation under employee future benefit plans. The benefit cost is actuarially determined for accounting purposes using management's assumptions on mortality, retention or termination rates, salary scale and sick day accumulation. The discount rate used to measure obligations is based on the cost of borrowing. The cumulative unrecognized actuarial gains and losses are recorded in the statement of changes in fund balances each year. The most recent valuation of the obligation was performed as at March 31, 2017.

Canadian Hearing Society

Notes to Financial Statements

March 31, 2017

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 Society initially measures its financial assets and financial liabilities at fair value. The Society 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 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 Society 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 Society 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 statement of operations.

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

Use of estimates

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

Canadian Hearing Society

Notes to Financial Statements

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3 Short-term investments and investments

Short-term investments consist of the following:

	2017 \$	2016 \$
Guaranteed investment certificate held with Royal Bank of Canada, redeemable, 0.70%, maturity September 25, 2017	333,333	-

Investments consist of the following:

	2017 \$	2016 \$
Equity instruments held in pooled funds with Leith Wheeler Investment Counsel Ltd. quoted in an active market	5,912,816	4,095,753

4 Property, plant and equipment

	2017		2016	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land and buildings (prior to 2003)	3,476,574	-	3,476,574	3,476,574
Land (post 2002)	100,000	-	100,000	100,000
Buildings (post 2002)	241,429	89,530	151,899	157,934
Building improvements (post 2002)	48,597	48,597	-	-
Furniture and equipment	250,390	214,785	35,605	35,606
Automobiles	35,626	35,626	-	-
Computer equipment	14,334	14,334	-	-
Telephone equipment	100,212	50,106	50,106	66,410
Video conferencing equipment	384,404	331,014	53,390	117,457
	4,651,566	783,992	3,867,574	3,953,981

5 Interfund receivables and payables

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

The Society's Board approved an appropriation relating to fiscal 2017 of \$877,884 (2016 - \$30,000) to the strategic initiatives fund and \$372,116 (2016 - \$128,000) to building funds from the operating fund to the internally restricted fund for various uses and building costs. The Society's Board also approved a transfer of interest earned on endowment funds of \$nil (2016 - \$nil) to the designated funds.

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Notes to Financial Statements

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6 Line of credit

The Society 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, 2017, \$nil (2016 - \$nil) of the line of credit had been utilized.

7 Amount repayable to funders

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

8 Deferred revenue

Deferred revenue reported in the operating fund includes amounts received that are related to specific uses for which the related expenditures have not been incurred.

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

	2017 \$	2016 \$
Balance - Beginning of year	1,565,967	1,269,059
Less: Amounts recognized as revenue in the year	851,784	497,941
Add: Amounts received	951,248	794,849
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Balance - End of year	1,665,431	1,565,967

9 Sick leave benefit

In accordance with the Society's sick leave defined benefit plan, the liability consists of the accumulated sick leave benefit and represents management's best estimate as to the Society's future liability pertaining to all employees. The Society undertook an actuarial valuation of the sick leave benefit for fiscal 2017, and based on the results of the actuarial report, the liability decreased by \$182,900 to \$1,043,100 (2016 - \$1,226,000).

Reconciliation of accrued sick leave benefit obligation

	2017 \$	2016 \$
Accrued sick leave benefit obligation - Beginning of year	1,226,000	1,437,000
Service cost	106,000	56,150
Interest cost	41,362	19,123
Benefit payments	(118,651)	(105,772)
Actuarial gain	(211,611)	(180,501)
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Accrued sick leave benefit obligation - End of year	1,043,100	1,226,000

Canadian Hearing Society

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The significant actuarial assumptions adopted for measuring the Society's accrued sick leave benefit obligation are:

	2017 %	2016 %
March 31		
Discount rate	3.25	3.25
Salary scale	2.00	2.00

10 Designated funds

	2017 \$	2016 \$
Externally restricted by donor		
Allison Cochlear Implant Fund	36,623	32,619
CHS Children's Fund	45,807	45,017
Dorothy O'Neill Research Fund	33,511	29,846
Durham Area Fund	28,038	24,972
Hamilton Steele Children's Fund	395,436	355,151
IMO Monica Price Bursary	3,466	3,087
London Regional Fund	161,149	143,527
London Anne Sanderson Fund	88,549	78,866
Niagara Area Fund	262,718	233,990
Nicole Majorose Fund	7,628	6,794
Peel Regional Fund	36,398	32,418
Thunder Bay Sharon Bjorklund Fund	31,003	27,612
Waterloo Building Occupancy Fund	43,676	38,900
Waterloo Children's Fund	9,075	8,083
Waterloo Sertoma/LaSetoma Fund	248,612	221,426
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	1,431,689	1,282,308
Board restricted - unrestricted by donor		
Hamilton Access Fund	4,499	4,007
Hamilton Building Fund	82,174	73,189
Ottawa Regional Fund	307,715	274,922
Peterborough Regional Fund	180,766	161,929
Sault Ste. Marie Regional Fund	51,330	45,717
Head Office Building Fund	1,406,457	903,049
Strategic Initiatives Fund	1,789,935	820,616
Thunder Bay Regional Fund	31,576	28,123
Toronto Regional Fund	55,785	49,685
Training and Development Fund	191,806	183,895
Waterloo Regional Fund	22,057	19,645
Waterloo Stork Family Fund	267	237
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	4,124,367	2,565,014
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	5,556,056	3,847,322

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	2017 \$	2016 \$
Endowment funds*		
Donald & Anne C. McLean Fund*	214,143	190,726
Hamilton McCormick Fund	334,596	298,007
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	548,739	488,733
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* These are restricted funds and only the investment income earned on the fund balance can be used by the Society.

11 Grants

The Society has received the following grants:

	2017 \$	2016 \$
Provincial		
Ministry of Health and Long-Term Care	9,682,296	9,948,964
Ministry of Community and Social Services (note 12)	8,259,062	8,096,638
Ministry of Advanced Education and Skills Development	2,236,898	2,230,241
Ministry of Community and Social Services - Ontario Disability Support Program	587,943	500,460
Other	345,700	201,814
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	21,111,899	20,978,117
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Federal and Other		
Human Resources and Social Development Canada	48,476	46,443
Citizenship Immigration Canada	450,136	419,620
Other	48,635	48,260
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	547,247	514,323
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	21,659,146	21,492,440
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12 Grants from the Ministry of Community and Social Services

The Society has a number of contracts with the Ministry of Community and Social Services. One requirement of the contracts is the production by management of a transfer payment annual report, which shows a summary of all revenue and expenditures and any resulting surplus or deficit that relates to that contract. Surplus amounts, if any, are reflected in amounts repayable to funders. The deficit amounts below include the cost of property, plant and equipment purchased during the year, and exclude amortization, in accordance with the contracts:

Region	Detail code	TPBE	Service name	Grant \$	Other revenues \$	Expenses \$	Surplus (deficit) \$
Provincial Ontario Interpreting Services							
Provincial	8783	052686	BPS - Other Adult Social Services	260,153	-	260,153	-
	9295	109702	ASL Interpreter Services Toronto	689,731	659,724	1,694,292	(344,837)
	9295	1000162	ASL Interpreter Services Central	1,050,157	479,362	1,653,567	(124,048)
	9295	1000165	ASL Interpreter Services West	1,153,867	405,451	1,553,286	6,032
	9295	1000167	ASL Interpreter Services East	1,511,517	466,129	1,914,285	63,361
	9295	1000168	ASL Interpreter Services North	861,855	141,485	752,927	250,413
	8754	109702	Interpreter Internship Program Langue de Québécoise (LSQ)	858,637	-	776,658	81,979
	8753	109702	Interpreter Services After-Hours Health Related Emergency	279,808	65,001	376,353	(31,544)
	8752	109702	Interpreting Services	692,833	84,660	742,159	35,334
				<u>7,358,558</u>	<u>2,301,812</u>	<u>9,723,680</u>	<u>(63,310)</u>
Intervenors Service Funding Sudbury			Intervenors Services for Community Participation	541,807	-	564,178	(22,371)
	8783	1000168	BPS - Other Adult Social Services	4,197	-	4,197	-
Partner Facility Renewal – Capital	8915	109702	Elevator Modernization Project	<u>354,500</u>	<u>-</u>	<u>369,004</u>	<u>(14,504)</u>
				<u>8,259,062</u>	<u>2,301,812</u>	<u>10,661,059</u>	<u>(100,185)</u>
Less: Repayables for 2016 - 2017				<u>-</u>			
Total grants from Ministry of Community and Social Services				<u>8,259,062</u>			

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Notes to Financial Statements

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13 Language Interpreter Services Program

	2017 \$	2016 \$
Revenue	150,750	99,060
Expenses		
Salaries and benefits	15,301	16,707
Remuneration and travel	68,625	79,151
Program costs	12,244	8,401
Administration costs	12,480	11,512
Deferred to next fiscal year	25,389	-
	<u>134,039</u>	<u>115,771</u>
Excess (deficiency) of revenue over expenses for the year	<u>16,711</u>	<u>(16,711)</u>

14 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:

	2017 \$	2016 \$
Revenue	244,410	278,100
Expenses		
Cost of tickets sold and promotion fees - retail	33,356	38,327
Promotion fees - agent	83,937	87,332
Licence fees and other	74,629	61,175
	<u>191,922</u>	<u>186,834</u>
Excess of revenue over expenses for the year	<u>52,488</u>	<u>91,266</u>

15 Lease commitments

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

	\$
2018	944,745
2019	627,568
2020	485,438
2021	234,926
2022	59,340
Thereafter	<u>58,280</u>
	<u>2,410,297</u>

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16 Community service grant

The Society received a community service grant of \$17,435 (2016 - \$17,060) from the City of Toronto.

17 Regional United Way

The Society received funding of \$31,342 (2016 - \$29,776) from the United Way of Burlington and Greater Hamilton.

18 Financial instruments

The main risks to which the Society's financial instruments are exposed are interest rate risk, market risk and credit risk. It is management's opinion that the Society 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 Society. The Society manages its 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 Society to credit risk consist principally of cash and short-term investments. The Society places its cash and short-term investments with high quality institutions to mitigate this risk.

The Society is exposed to credit risk on accounts receivable from the public. The Society'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 Society. The Society vigorously contests such lawsuits and claims, and management believes any resulting outcome would not have a material effect on the statements of financial position and operations of the Society.

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20 Subsequent events

On May 12, 2017, Canadian Union for Public Employees Local 2073 ratified a new collective agreement. As part of the new agreement to implement a short-term disability plan, the unionized employees' accumulated unused sick days as at March 31, 2017 would be paid out in June 2017 based on the agreed-upon rates. In addition, it should also be noted that the accumulated unused sick days for management as at March 31, 2017 will also be paid out in August 2017 based on the agreed-upon rates which are to be determined in June 2017.