

Canadian Hearing Society

Financial Statements

March 31, 2018



June 28, 2018

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, 2018 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.

*PricewaterhouseCoopers LLP
400 Bradwick Drive, Suite 100, Concord, Ontario, Canada L4K 5V9
T: +1 905 326 6800, F: +1 905 326 5339*



Basis for qualified opinion

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, excess of revenue over expenses for the years ended March 31, 2018 and March 31, 2017, property, plant and equipment and total assets as at March 31, 2018 and March 31, 2017, and fund balances as at the beginning and end of the years ended March 31, 2018 and March 31, 2017.

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, excess of revenue over expenses and cash flows from operating activities for the years ended March 31, 2018 and March 31, 2017, current assets as at March 31, 2018 and March 31, 2017 and fund balances as at the beginning and end of the years ended March 31, 2018, and March 31, 2017.

Our audit opinion on the financial statements for the year ended March 31, 2017 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, 2018 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, 2018

				2018	2017
	Operating fund \$	Designated funds \$	Endowment funds \$	Total \$	Total \$ (restated - note 2)
Assets					
Current assets					
Cash and cash equivalents (note 7)	-	-	-	-	2,599,630
Grants receivable	300,757	-	-	300,757	185,950
Accounts receivable	2,107,332	-	-	2,107,332	1,598,136
Inventory	827,852	-	-	827,852	677,471
Other assets	294,676	-	-	294,676	345,920
Short-term investments (note 4)	1,000,000	-	-	1,000,000	333,333
Interfund receivable (note 6)	-	158,937	-	158,937	191,979
	4,530,617	158,937	-	4,689,554	5,932,419
Investments (note 4)	-	6,675,061	566,754	7,241,815	5,912,816
Property, plant and equipment (note 5)	5,264,004	-	-	5,264,004	5,542,867
	9,794,621	6,833,998	566,754	17,195,373	17,388,102
Liabilities					
Current liabilities					
Bank indebtedness (note 7)	177,044	-	-	177,044	-
Accounts payable and accrued liabilities	1,998,722	-	-	1,998,722	3,167,590
Amount repayable to funders (note 8)	695,354	-	-	695,354	522,104
Deferred revenue (note 9)	1,148,309	-	-	1,148,309	1,085,900
Deferred contributions (note 10)	821,437	-	-	821,437	579,530
Interfund payable (note 6)	158,937	-	-	158,937	191,979
	4,999,803	-	-	4,999,803	5,547,103
Deferred capital contributions (note 11)	878,714	-	-	878,714	1,045,375
Sick leave benefit (note 12)	-	-	-	-	1,043,100
	5,878,517	-	-	5,878,517	7,635,578
Fund Balances					
Operating fund					
Property, plant and equipment	4,385,290	-	-	4,385,290	4,497,492
General	(469,186)	-	-	(469,186)	(849,763)
Designated funds (notes 6 and 13)	-	6,833,998	566,754	7,400,752	6,104,795
	3,916,104	6,833,998	566,754	11,316,856	9,752,524
	9,794,621	6,833,998	566,754	17,195,373	17,388,102
Lease commitments (note 19)					
Contingencies (note 23)					

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, 2018

				2018	2017
	Operating fund \$	Designated funds \$	Endowment funds \$	Total \$	Total \$ (restated - note 2)
Revenue					
Grants					
Province of Ontario (notes 11 and 14)	23,890,044	-	-	23,890,044	21,327,683
Federal and other (notes 14 and 19)	688,122	-	-	688,122	547,247
Sale of goods and services (notes 9 and 15)	9,907,348	-	-	9,907,348	10,609,284
Regional United Way (note 21)	1,594,550	-	-	1,594,550	1,539,223
Fundraising and gaming activities (notes 10 and 18)	1,137,338	-	-	1,137,338	822,812
Gain on sale of equipment	2,775	-	-	2,775	-
Interest and dividends	22,691	133,109	13,105	168,905	112,237
	<u>37,242,868</u>	<u>133,109</u>	<u>13,105</u>	<u>37,389,082</u>	<u>34,958,486</u>
Expenses					
Salaries and benefits	22,970,790	15,584	-	22,986,374	22,681,786
Cost of sales	3,476,222	-	-	3,476,222	3,526,198
Office and program costs	1,799,510	326	-	1,799,836	1,422,635
Occupancy	1,971,951	-	-	1,971,951	1,853,605
Service costs	2,670,065	503	-	2,670,568	1,445,912
Professional development and travel	1,244,932	7,448	-	1,252,380	1,046,059
Promotion and gaming	801,754	-	-	801,754	369,160
Amortization of property, plant and equipment	872,723	-	-	872,723	907,272
Bad debts	20,047	-	-	20,047	15,442
Client assistance and other	18,499	9,181	-	27,680	78,831
	<u>35,846,493</u>	<u>33,042</u>	<u>-</u>	<u>35,879,535</u>	<u>33,346,900</u>
Excess of revenue over expenses from operations	1,396,375	100,067	13,105	1,509,547	1,611,586
Fair value change in investments	-	49,875	4,910	54,785	456,914
Excess of revenue over expenses for the year	<u>1,396,375</u>	<u>149,942</u>	<u>18,015</u>	<u>1,564,332</u>	<u>2,068,500</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, 2018

	2018					
	Operating fund					
	General	Property, plant and equipment	Total	Designated funds	Endowment funds	Total
	\$	\$	\$	\$	\$	\$
Balances - Beginning of year	(849,763)	4,497,492	3,647,729	5,556,056	548,739	9,742,524
Excess (deficiency) of revenue over expenses for the year	2,269,098	(872,723)	1,396,375	149,942	18,015	1,564,332
Purchase of property, plant and equipment	(593,860)	593,860	-	-	-	-
Deferred capital contributions received (note 11)	429,045	(429,045)	-	-	-	-
Amortization of deferred capital contributions (note 11)	(595,706)	595,706	-	-	-	-
Appropriations (note 6)	(1,128,000)	-	(1,128,000)	1,128,000	-	-
Balances - End of year	(469,186)	4,385,290	3,916,104	6,833,998	566,754	11,316,856
	2017					
	Operating fund					
	General	Property, plant and equipment	Total	Designated funds	Endowment funds	Total
	\$	\$	\$	\$	\$	\$
Balances - Beginning of year	(1,641,481)	4,777,839	3,136,358	3,847,322	488,733	7,472,413
Excess (deficiency) of revenue over expenses for the year	2,457,032	(907,272)	1,549,760	458,734	60,006	2,068,500
Purchase of property, plant and equipment	(411,141)	411,141	-	-	-	-
Deferred capital contributions received (note 11)	354,610	(354,610)	-	-	-	-
Amortization of deferred capital contributions (note 11)	(570,394)	570,394	-	-	-	-
Remeasurement of sick leave benefit liability (note 12)	211,611	-	211,611	-	-	211,611
Appropriations (note 6)	(1,250,000)	-	(1,250,000)	1,250,000	-	-
Balances - End of year	(849,763)	4,497,492	3,647,729	5,556,056	548,739	9,752,524

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

Canadian Hearing Society

Statement of Cash Flows

For the year ended March 31, 2018

	2018 \$	2017 \$ (restated - note 2)
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	1,564,332	2,068,500
Adjustments for non-cash items		
Amortization of property, plant and equipment	872,723	907,272
Amortization of deferred capital contributions	(595,706)	(570,394)
Investment income reinvested	(146,214)	(110,149)
Fair value change in investments	(54,785)	(456,914)
(Decrease) increase in sick leave benefit liability	(1,043,100)	28,711
	<u>597,250</u>	<u>1,867,026</u>
Changes in non-cash working capital balances		
Grants receivable	(114,807)	8,457
Accounts receivable	(509,196)	7,016
Inventory	(150,381)	(174,351)
Other assets	51,244	(229,243)
Accounts payable and accrued liabilities	(1,168,868)	1,290,898
Amount repayable to funders	173,250	200,909
Deferred revenue	62,409	(149,761)
Deferred contribution	241,907	249,225
	<u>(817,192)</u>	<u>3,070,176</u>
Investing activities		
Contributions into investment portfolio	(2,128,000)	(1,583,333)
Withdrawal from investment portfolio	333,333	-
Purchase of property, plant and equipment	(593,860)	(411,141)
	<u>(2,388,527)</u>	<u>(1,994,474)</u>
Financing activities		
Capital contributions	429,045	354,610
Change in bank indebtedness and cash and cash equivalents during the year		
	(2,776,674)	1,430,312
Cash and cash equivalents - Beginning of year		
	<u>2,599,630</u>	<u>1,169,318</u>
Bank indebtedness and cash and cash equivalents - End of year		
	<u>(177,044)</u>	<u>2,599,630</u>
Bank indebtedness and cash and cash equivalents consist of		
Cash (bank indebtedness)	(177,044)	932,963
Cash equivalents	-	1,666,667
	<u>(177,044)</u>	<u>2,599,630</u>

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

Canadian Hearing Society

Notes to Financial Statements

March 31, 2018

1 The organization

Canadian Hearing Society (the Society):

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

The 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 Restatement of prior period figures

Management has historically expensed certain purchases of property, plant and equipment as well as the recording of the related funding received as revenue, which was not in accordance with accounting standards for not-for-profit organizations. Commencing in fiscal 2018, these purchases are now capitalized and amortized over their useful lives, and the related external funding received has been deferred as deferred capital contributions and amortized into revenue over the same term and on the same basis as the related property, plant and equipment is amortized into expenses. As a result, the prior year comparative figures have been amended as follows:

	2017		
	As previously stated	Adjustment	Restated
	\$	\$	\$
Statement of financial position			
Assets			
Property, plant and equipment	3,867,574	1,675,293	5,542,867
Liabilities			
Deferred capital contributions	-	1,045,375	1,045,375
Fund balances			
Property, plant and equipment - Opening balance	3,953,981	823,858	4,777,839
Property, plant and equipment - Closing balance	3,867,574	629,918	4,497,492
Statement of operations			
Grants - Province of Ontario	21,111,899	215,784	21,327,683
Office and program costs	1,661,502	(238,867)	1,422,635
Occupancy	2,025,879	(172,274)	1,853,605
Amortization of property, plant and equipment	86,407	820,865	907,272
Excess of revenue over expenses for the year	2,262,440	(193,940)	2,068,500

Canadian Hearing Society

Notes to Financial Statements

March 31, 2018

	2017		
	As previously stated \$	Adjustment \$	Restated \$
Statement of cash flows			
Adjustments for non-cash items			
Amortization of property, plant and equipment	86,407	820,865	907,272
Amortization of deferred capital contributions	-	(570,394)	(570,394)
Investing activities			
Purchase of property, plant and equipment	-	(411,141)	(411,141)
Financing activities			
Capital contributions	-	354,610	354,610

3 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 22 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 of Directors; 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.

Cash and cash equivalents

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

Canadian Hearing Society

Notes to Financial Statements

March 31, 2018

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 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.

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

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, 2018. Inventory expensed during the year amounts to \$2,896,723 (2017 - \$948,629). This is included in cost of sales. The Society recognized a writedown of \$nil (2017 - \$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 of 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, 2018

Deferred capital contributions

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

Property, plant and equipment

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

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

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

Impairment of long-lived assets

The 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 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

In the past, the Society provided 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 were 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 had accrued its obligation under employee future benefit plans. The benefit cost was 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 was based on the cost of borrowing. The

Canadian Hearing Society

Notes to Financial Statements

March 31, 2018

cumulative unrecognized actuarial gains and losses were 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.

During the year, the Society implemented a short-term disability plan, and paid out the employees' accumulated unused sick days as of May 31, 2017 for unionized employees and June 30, 2017 for non-unionized employees based on the agreed upon rates, thus eliminating the sick leave benefit (note 12).

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

March 31, 2018

4 Short-term investments and investments

Short-term investments consist of the following:

	2018 \$	2017 \$
Guaranteed investment certificate held with Royal Bank of Canada, redeemable, 1.38% (2017 - 0.70%), maturity September 27, 2018 (2017 - September 25, 2017)	1,000,000	333,333

Investments consist of the following:

	2018 \$	2017 \$
Equity instruments held in pooled funds with Leith Wheeler Investment Counsel Ltd. quoted in an active market	7,241,815	5,912,816

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

	2018 \$	2017 \$
Purchases of investments	3,459,274	692,312
Sale of investments	3,244,023	329,574

5 Property, plant and equipment

	2018		2017	
	Cost \$	Accumulated amortization \$	Net \$	Net \$ (restated - note 2)
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	95,566	145,863	151,899
Building improvements (post-2002)	924,689	848,858	75,831	227,493
Furniture and equipment	2,653,546	1,558,637	1,094,909	1,171,006
Automobiles	-	-	-	-
Computer equipment	826,959	552,509	274,450	225,256
Telephone equipment	103,454	68,698	34,756	51,997
Video-conferencing equipment	526,195	464,574	61,621	138,642
	8,852,846	3,588,842	5,264,004	5,542,867

Canadian Hearing Society

Notes to Financial Statements

March 31, 2018

6 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 Society's Board of Directors approved an appropriation relating to fiscal 2018 of \$1,000,000 (2017 - \$877,884) to the strategic initiatives fund and \$128,000 (2017 - \$372,116) to building funds from the operating fund to the internally restricted fund for various uses and building costs. The Society's Board of Directors also approved a transfer of interest earned on endowment funds of \$nil (2017 - \$nil) to the designated funds.

7 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, 2018, \$nil (2017 - \$nil) of the line of credit had been utilized.

8 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.

9 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:

	2018 \$	2017 \$
Balance - Beginning of year	1,085,900	1,236,041
Less: Amounts recognized as revenue in the year	(509,656)	(726,373)
Add: Amounts received	572,065	576,232
	<hr/>	<hr/>
Balance - End of year	1,148,309	1,085,900

Canadian Hearing Society

Notes to Financial Statements

March 31, 2018

10 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:

	2018 \$	2017 \$
Balance - Beginning of year	579,530	330,305
Less: Amounts recognized as revenue in the year	(353,543)	(243,201)
Add: Amounts received	595,450	492,426
	<hr/>	<hr/>
Balance - End of year	821,437	579,530

11 Deferred capital contributions

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

	2018 \$	2017 \$ (restated - note 2)
Balance - Beginning of year	1,045,375	1,261,159
Less: Amounts amortized into revenue	(595,706)	(570,394)
Add: Amounts received	429,045	354,610
	<hr/>	<hr/>
Balance - End of year	878,714	1,045,375

12 Sick leave benefit

In accordance with the Society's previous sick leave defined benefit plan, the liability consisted of the accumulated sick leave benefit and represented 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 was assessed to be \$1,043,100.

In fiscal 2018, 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 to replace the previous sick leave defined benefit plan, the unionized employees' accumulated unused sick days as of May 31, 2017 and non-unionized employees' accumulated unused sick days as of June 30, 2017 were paid out based on agreed upon rates during fiscal 2018. There is no liability remaining as March 31, 2018 with respect to the sick leave defined benefit plan as all amounts have been negotiated and paid out in the amount of \$1.8 million.

Canadian Hearing Society

Notes to Financial Statements

March 31, 2018

13 Designated funds

	2018 \$	2017 \$
Externally restricted by donor		
Allison Cochlear Implant Fund	37,826	36,623
CHS Children's Fund	47,311	45,807
Dorothy O'Neill Research Fund	34,611	33,511
Durham Area Fund	28,959	28,038
Hamilton Steele Children's Fund	398,568	395,436
IMO Monica Price Bursary	3,580	3,466
London Regional Fund	166,439	161,149
London Anne Sanderson Fund	91,456	88,549
Niagara Area Fund	271,344	262,718
Nicole Majorose Fund	7,879	7,628
Peel Regional Fund	37,593	36,398
Thunder Bay Sharon Bjorklund Fund	32,021	31,003
Waterloo Building Occupancy Fund	45,110	43,676
Waterloo Children's Fund	9,373	9,075
Waterloo Sertoma/LaSetoma Fund	237,221	248,612
	<hr/>	<hr/>
	1,449,291	1,431,689
Board restricted - unrestricted by donor		
Hamilton Access Fund	4,646	4,499
Hamilton Building Fund	84,872	82,174
Ottawa Regional Fund	317,818	307,715
Peterborough Regional Fund	186,701	180,766
Sault Ste. Marie Regional Fund	53,015	51,330
Head Office Building Fund	1,582,540	1,406,457
Strategic Initiatives Fund	2,847,390	1,789,935
Thunder Bay Regional Fund	32,613	31,576
Toronto Regional Fund	57,616	55,785
Training and Development Fund	194,440	191,806
Waterloo Regional Fund	22,781	22,057
Waterloo Stork Family Fund	275	267
	<hr/>	<hr/>
	5,384,707	4,124,367
	<hr/>	<hr/>
	6,833,998	5,556,056
Endowment funds*		
Donald and Anne C. McLean Fund*	221,173	214,143
Hamilton McCormick Fund	345,581	334,596
	<hr/>	<hr/>
	566,754	548,739
	<hr/>	<hr/>

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

Canadian Hearing Society

Notes to Financial Statements

March 31, 2018

14 Grants

The Society has received the following grants:

	2018	2017
	\$	\$
		(restated - note 2)
Provincial		
Ministry of Health and Long-Term Care/Local Health Integration Networks (LHINs)	10,706,760	9,682,296
Ministry of Community and Social Services (note 16)	9,712,763	8,259,062
Ministry of Advanced Education and Skills Development	2,381,301	2,236,898
Ministry of Community and Social Services - Ontario Disability Support Program	572,412	587,943
Other	516,808	561,484
	<hr/> 23,890,044	<hr/> 21,327,683
Federal and Other		
Employment and Social Development Canada	51,048	48,476
Immigration, Refugees and Citizenship Canada	579,242	450,136
Other	57,832	48,635
	<hr/> 688,122	<hr/> 547,247
	<hr/> 24,578,166	<hr/> 21,874,930

15 Sale of goods and services

Sale of goods and services consists of the following:

	2018	2017
	\$	\$
Sale of goods	6,223,953	6,758,042
Sale of services	3,683,395	3,851,242

Canadian Hearing Society

Notes to Financial Statements

March 31, 2018

16 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	109702	BPS - Other Adult Social Services	260,153	-	260,153	-
	9295	109702	ASL Interpreter Services Toronto	2,439,731	598,988	3,464,555	(425,836)
	9295	1000162	ASL Interpreter Services Central	1,050,157	456,276	1,644,527	(138,094)
	9295	1000165	ASL Interpreter Services West	1,153,867	385,925	1,602,855	(63,063)
	9295	1000167	ASL Interpreter Services East	1,549,718	434,166	1,827,174	156,710
	9295	1000168	ASL Interpreter Services North	861,855	134,672	767,087	229,440
	8754	109702	Interpreter Internship Program Langue de Québécoise (LSQ)	858,637	-	816,884	41,753
	8753	109702	Interpreter Services After-Hours Health Related Emergency	279,808	52,283	311,593	20,498
	8752	109702	Interpreting Services	692,833	79,034	764,752	7,115
				9,146,759	2,141,344	11,459,580	(171,477)
Intervenors Service Funding Sudbury							
	8746	1000169	Intervenors Services for Community Participation	561,807	-	566,766	(4,959)
	8783	1000169	BPS - Other Adult Social Services	4,197	-	4,197	-
				-	2,141,344	12,030,543	(176,436)
Less: Repayables for 2017 - 2018				9,712,763			
Total grants from Ministry of Community and Social Services				9,712,763			

Canadian Hearing Society

Notes to Financial Statements

March 31, 2018

17 Language Interpreter Services Program

	2018 \$	2017 \$
Revenue	90,967	150,750
Expenses		
Salaries and benefits	18,071	15,301
Remuneration and travel	34,581	68,625
Program costs	17,000	12,244
Administration costs	23,118	12,480
Deferred to next fiscal year	-	25,389
	<u>92,770</u>	<u>134,039</u>
(Deficiency) excess of revenue over expenses for the year	<u>(1,803)</u>	<u>16,711</u>

18 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:

	2018 \$	2017 \$
Revenue	291,135	244,410
Expenses		
Cost of tickets sold and promotion fees - retail	39,841	33,356
Promotion fees - agent	90,683	83,937
Licence fees and other	61,466	74,629
	<u>191,990</u>	<u>191,922</u>
Excess of revenue over expenses for the year	<u>99,145</u>	<u>52,488</u>

19 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:

	\$
2019	1,033,342
2020	670,930
2021	277,556
2022	72,443
2023	40,108
Thereafter	<u>23,312</u>
	<u>2,117,691</u>

Canadian Hearing Society

Notes to Financial Statements

March 31, 2018

20 Community service grant

The Society received a community service grant of \$17,785 (2017 - \$17,435) from the City of Toronto.

21 Regional United Way

The Society received funding of \$26,726 (2017 - \$31,342) from the United Way of Burlington and Greater Hamilton.

22 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 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 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.

23 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.

24 Comparative figures

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