

The Canadian Hearing Society

Financial Statements
March 31, 2013



June 22, 2013

Independent Auditor's Report

To the Directors and Members of The Canadian Hearing Society

We have audited the accompanying financial statements of The Canadian Hearing Society (the Society), which comprise the statement of financial position as at March 31, 2013 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.

Basis for qualified opinion

Commencing in fiscal 1998, the Society decided to expense certain purchases of property, plant and equipment in the year in accordance with instructions received from certain government agencies. ASNPO requires asset purchases to be capitalized and amortized on a continuing basis over their useful lives. In the current year, the Society expensed in the operating fund, property, plant and equipment, \$651,024 (2012 - \$734,134), which should have been capitalized. Amortization expense is understated by \$685,678

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



(2012 - \$640,111). The accumulated effect of this policy is to understate the net book value of property, plant and equipment and the property, plant and equipment fund balance by \$1,607,654 (2012 - \$1,642,308), which is a departure from ASNPO.

ASNPO requires the Society to record its capital assets either at cost less applicable amortization, which is to be applied retroactively, or to record its capital assets at fair value as at the date of transition. The Society recorded its land and buildings acquired prior to 2003 at cost and does not have an historical depreciated cost or fair value. 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 whether any adjustments might be necessary to amortization of property, plant and equipment, deficiency of revenue over expenses for the year ended March 31, 2013, property, plant and equipment and total assets as at March 31, 2013 and fund balances as at April 1, 2012 and March 31, 2013.

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 year ended March 31, 2013, current assets as at March 31, 2013 and fund balances as at April 1, 2012 and March 31, 2013.

Qualified opinion

In our opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with ASNPO.

Comparative information

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes that the Society adopted ASNPO on April 1, 2012, with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at March 31, 2012 and April 1, 2011, and the statements of operations, changes in fund balances and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

The Canadian Hearing Society

Statement of Financial Position

As at March 31, 2013

| | | | | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|--|-------------------------|---------------------------|-------------------------|-------------------|--|--|
| | Operating fund \$ | Designated funds \$ | Endowment fund \$ | Total \$ | Total \$ (Unaudited) (note 2) | Total \$ (Unaudited) (note 2) |
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash (notes 7 and 8) | 116,230 | - | - | 116,230 | 391,646 | 1,630,141 |
| Grants receivable | 202,556 | - | - | 202,556 | 199,218 | 346,793 |
| Accounts receivable | 1,693,525 | - | - | 1,693,525 | 1,641,512 | 1,346,921 |
| Inventory | 499,297 | - | - | 499,297 | 451,148 | 509,381 |
| Other assets | 294,593 | - | - | 294,593 | 149,706 | 123,074 |
| Interfund receivable (note 6) | 193,315 | - | - | 193,315 | 52,867 | 304,342 |
| Restricted investments (notes 4 and 8) | - | 900,000 | - | 900,000 | - | - |
| | 2,999,516 | 900,000 | - | 3,899,516 | 2,886,097 | 4,260,652 |
| Investments (notes 4 and 8) | - | 3,912,504 | 311,944 | 4,224,448 | 4,966,525 | 4,767,312 |
| Property, plant and equipment (note 5) | 4,176,090 | - | - | 4,176,090 | 4,189,359 | 3,830,216 |
| | 7,175,606 | 4,812,504 | 311,944 | 12,300,054 | 12,041,981 | 12,858,180 |
| Liabilities | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable and accrued liabilities | 1,684,179 | - | - | 1,684,179 | 1,643,376 | 1,617,354 |
| Amount repayable to funders (note 8) | 479,446 | - | - | 479,446 | 462,259 | 683,252 |
| Deferred revenue (note 9) | 1,679,168 | - | - | 1,679,168 | 1,443,067 | 1,657,871 |
| Interfund payable (note 6) | - | 193,315 | - | 193,315 | 52,867 | 304,342 |
| | 3,842,793 | 193,315 | - | 4,036,108 | 3,601,569 | 4,262,819 |
| Sick leave benefit liability (note 10) | 1,136,015 | - | - | 1,136,015 | 1,005,000 | 466,663 |
| | 4,978,808 | 193,315 | - | 5,172,123 | 4,606,569 | 4,729,482 |
| Fund Balances | | | | | | |
| Operating fund | | | | | | |
| Property, plant and equipment | 4,176,090 | - | - | 4,176,090 | 4,189,359 | 3,830,216 |
| General | (1,979,292) | - | - | (1,979,292) | (1,667,605) | (773,172) |
| Designated funds (notes 6 and 11) | - | 4,619,189 | 311,944 | 4,931,133 | 4,913,658 | 5,071,654 |
| | 2,196,798 | 4,619,189 | 311,944 | 7,127,931 | 7,435,412 | 8,128,698 |
| | 7,175,606 | 4,812,504 | 311,944 | 12,300,054 | 12,041,981 | 12,858,180 |

Approved by the Board of Directors

Director _____ Director

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

The Canadian Hearing Society

Statement of Operations

For the year ended March 31, 2013

| | | | | 2013 | 2012 |
|---|-------------------------|---------------------------|-------------------------|-------------------|--|
| | Operating fund \$ | Designated funds \$ | Endowment fund \$ | Total \$ | Total \$ (Unaudited) (note 2) |
| Revenue | | | | | |
| Grants | | | | | |
| Province of Ontario (notes 9 and 12) | 20,352,489 | - | - | 20,352,489 | 20,323,662 |
| Federal and other (note 12) | 384,410 | - | - | 384,410 | 735,802 |
| Sales of goods and services (note 9) | 10,713,713 | - | - | 10,713,713 | 10,682,198 |
| Regional United Way contributions | 1,644,082 | - | - | 1,644,082 | 1,682,611 |
| Fundraising and gaming activities (note 9) | 1,504,668 | - | - | 1,504,668 | 1,420,414 |
| Interest and dividends | - | 87,686 | 5,986 | 93,672 | 110,248 |
| Gain (loss) on investments | - | 209,205 | 14,282 | 223,487 | (11,035) |
| | <u>34,599,362</u> | <u>296,891</u> | <u>20,268</u> | <u>34,916,521</u> | <u>34,943,900</u> |
| Expenses | | | | | |
| Salaries and benefits | 23,981,273 | 141,900 | - | 24,123,173 | 23,405,107 |
| Cost of sales | 4,537,880 | - | - | 4,537,880 | 4,708,584 |
| Office and program costs | 1,709,393 | 23,692 | - | 1,733,085 | 1,817,693 |
| Occupancy | 1,815,601 | 92,185 | - | 1,907,786 | 2,177,916 |
| Service costs | 994,667 | 107,186 | - | 1,101,853 | 1,184,480 |
| Professional development and travel | 1,031,058 | 33,141 | - | 1,064,199 | 1,192,814 |
| Promotion and gaming | 446,881 | 500 | - | 447,381 | 554,294 |
| Amortization of property, plant and equipment | 77,627 | - | - | 77,627 | 25,261 |
| Bad debts | 15,886 | - | - | 15,886 | 24,522 |
| Client assistance and other | 25,779 | 39,080 | - | 64,859 | 57,037 |
| | <u>34,636,045</u> | <u>437,684</u> | <u>-</u> | <u>35,073,729</u> | <u>35,147,708</u> |
| Excess (deficiency) of revenue over expenses before undernoted | (36,683) | (140,793) | 20,268 | (157,208) | (203,808) |
| Sick leave benefit (note 10) | 150,273 | - | - | 150,273 | 489,478 |
| Excess (deficiency) of revenue over expenses for the year | <u>(186,956)</u> | <u>(140,793)</u> | <u>20,268</u> | <u>(307,481)</u> | <u>(693,286)</u> |

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

The Canadian Hearing Society

Statement of Changes in Fund Balances

For the year ended March 31, 2013

| | | | | | | 2013 | 2012 |
|---|-----------------------|---|------------------|---------------------------|-------------------------|------------------|--|
| | <u>Operating fund</u> | | | | | | |
| | General \$ | Property, plant and equipment \$ | Total \$ | Designated funds \$ | Endowment fund \$ | Total \$ | Total \$ (Unaudited) (note 2) |
| Balances - Beginning of year | (1,667,605) | 4,189,359 | 2,521,754 | 4,621,982 | 291,676 | 7,435,412 | 8,128,698 |
| Excess (deficiency) of revenue over expenses for the year | (109,329) | (77,627) | (186,956) | (140,793) | 20,268 | (307,481) | (693,286) |
| Appropriation (note 6) | (138,000) | - | (138,000) | 138,000 | - | - | - |
| Purchase of property, plant and equipment | (64,358) | 64,358 | - | - | - | - | - |
| Balances - End of year | <u>(1,979,292)</u> | <u>4,176,090</u> | <u>2,196,798</u> | <u>4,619,189</u> | <u>311,944</u> | <u>7,127,931</u> | <u>7,435,412</u> |

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

The Canadian Hearing Society

Statement of Cash Flows

For the year ended March 31, 2013

| | 2013 | 2012 |
|---|------------------|--------------------|
| | \$ | \$ |
| | | (Unaudited) |
| | | (note 2) |
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess (deficiency) of revenue over expenses for the year | (307,481) | (693,286) |
| Adjustments for non-cash items | | |
| Amortization of property, plant and equipment | 77,627 | 25,261 |
| Interest and dividends reinvested | (93,672) | (110,248) |
| Net loss (gain) on investments | (223,487) | 11,035 |
| Increase in sick leave benefit liability | 131,015 | 538,337 |
| | <hr/> | <hr/> |
| | (415,998) | (228,901) |
| Change in non-cash working capital balances | | |
| Grants receivable | (3,338) | 147,575 |
| Accounts receivable | (52,013) | (294,591) |
| Inventory | (48,149) | 58,233 |
| Other assets | (144,887) | (26,632) |
| Accounts payable and accrued liabilities | 40,803 | 26,022 |
| Amount repayable to funders | 17,187 | (220,993) |
| Deferred revenue | 236,101 | (214,804) |
| | <hr/> | <hr/> |
| | (370,294) | (754,091) |
| Investing activities | | |
| Sale (purchase) of investments | 159,236 | (100,000) |
| Purchase of property, plant and equipment | (64,358) | (384,404) |
| | <hr/> | <hr/> |
| | 94,878 | (484,404) |
| Change in cash during the year | (275,416) | (1,238,495) |
| Cash - Beginning of year | 391,646 | 1,630,141 |
| | <hr/> | <hr/> |
| Cash - End of year | 116,230 | 391,646 |
| | <hr/> | <hr/> |
| Supplementary information | | |
| Interest paid | 3,179 | 3,219 |

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

The Canadian Hearing Society

Notes to Financial Statements

March 31, 2013

1 The organization

The 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 and therefore is not subject to income taxes provided expenditures meet a certain threshold.

2 Transition to accounting standards for not-for-profit organizations

Effective April 1, 2012, the Society elected to adopt Canadian accounting standards for not-for-profit organizations (ASNPO) (Part III of The Canadian Institute of Chartered Accountants (CICA) Handbook) as issued by the Canadian Accounting Standards Board. The Society has elected under Section 1501, First-time Adoption by Not-for-Profit Organizations, the exemption to designate its bonds and guaranteed investment certificates to be measured at fair value upon transition to ASNPO.

The transition from Canadian generally accepted accounting principles to ASNPO had no significant impact on the statement of financial position, statements of operations, changes in fund balances and cash flows generated by the Society.

3 Summary of significant accounting policies

These financial statements have been prepared in accordance with ASNPO and include the following significant policies:

Fund accounting

These financial statements include the operations of the head office of the Society and its 28 locations, and 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.

The Canadian Hearing Society

Notes to Financial Statements

March 31, 2013

- Operating fund - General - includes program surpluses that have been designated by the Board of Directors (the Board) for the future use of that program and 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.
- Endowment fund - includes donations that are required to be maintained by the Society on a permanent basis, and also includes investment income earned on these 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. 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 and are therefore reflected as revenue of the restricted 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.

Deferred revenue

Revenue is deferred in the operating fund when it relates to funding received that is related to subsequent periods.

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 is 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 goods sold for the year ended March 31, 2013. The Society recognized a writedown of approximately \$nil (2012 - \$nil).

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 Canadian Hearing Society

Notes to Financial Statements

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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 net income.

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.

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, grants receivable, accounts receivable and guaranteed investment certificates.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and the amount repayable to funders.

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

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Notes to Financial Statements

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Use of estimates

The preparation of these 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 revenues and expenses during the reporting period. For all estimates, actual results could differ from those estimates.

4 Investments

| | 2013 \$ | 2012 \$ |
|--|------------------|------------------|
| Guaranteed investment certificates held with Royal Bank of Canada | | |
| Short-term restricted investments | | |
| One-year cashable, 0.80%, maturity October, 1, 2013 | 900,000 | - |
| Equity instruments held in pooled funds with Leith Wheeler Investment Counsel Ltd. quoted in an active market | 3,474,448 | 4,966,525 |
| Guaranteed investment certificates held with Royal Bank of Canada | | |
| Non-redeemable, 1.38%, maturity December 31, 2013 | 300,000 | - |
| Non-redeemable, 1.40%, maturity April 1, 2013 | 450,000 | - |
| | <u>4,224,448</u> | <u>4,966,525</u> |

5 Property, plant and equipment

| | 2013 | | |
|------------------------------------|------------------|-----------------------------------|------------------|
| | Cost \$ | Accumulated amortization \$ | Net |
| Land and buildings (prior to 2003) | 3,476,574 | - | 3,476,574 |
| Land (post 2002) | 100,000 | - | 100,000 |
| Buildings (post 2002) | 241,429 | 65,387 | 176,042 |
| Building improvements (post 2002) | 48,597 | 48,597 | - |
| Furniture and equipment | 295,923 | 254,526 | 41,397 |
| Automobiles | 59,618 | 45,368 | 14,250 |
| Computer equipment | 32,117 | 18,182 | 13,935 |
| Telephone equipment | 44,233 | - | 44,233 |
| Video conferencing equipment | 384,404 | 74,745 | 309,659 |
| | <u>4,682,895</u> | <u>506,805</u> | <u>4,176,090</u> |

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Notes to Financial Statements

March 31, 2013

| | 2012 | | |
|------------------------------------|------------------|---------------------|------------------|
| | Cost | Accumulated | Net |
| | \$ | amortization | \$ |
| | | \$ | |
| Land and buildings (prior to 2003) | 3,476,574 | - | 3,476,574 |
| Land (post 2002) | 100,000 | - | 100,000 |
| Buildings (post 2002) | 241,429 | 59,351 | 182,078 |
| Building improvements (post 2002) | 48,597 | 48,597 | - |
| Furniture and equipment | 290,132 | 254,526 | 35,606 |
| Automobiles | 59,618 | 38,243 | 21,375 |
| Computer equipment | 17,783 | 17,783 | - |
| Telephone equipment | - | - | - |
| Video conferencing equipment | 384,404 | 10,678 | 373,726 |
| | 4,618,537 | 429,178 | 4,189,359 |

6 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 2013 of \$10,000 (2012 - \$106,739) to regional funds and \$128,000 (2012 - \$128,000) to building funds from the operating fund to the internally restricted fund for various building costs.

7 Bank indebtedness

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, 2013, \$nil (2012 - \$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 reported in the operating fund relates to funding received that is related to specific programs in subsequent periods.

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

| | 2013 | 2012 |
|---|------------------|------------------|
| | \$ | \$ |
| Balance - Beginning of year | 1,443,067 | 1,657,871 |
| Less: Amounts recognized as revenue in the year | (815,374) | (1,315,799) |
| Add: Amounts received | 1,051,475 | 1,100,995 |
| | 1,679,168 | 1,443,067 |

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Notes to Financial Statements

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10 Sick leave benefit

In accordance with the Society's sick leave defined benefit plan, employees receive a maximum of eighteen 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 sixty-five years of age or older or death.

The liability for the accumulated sick leave represents management's best estimate as to the Society's future liability pertaining to all employees. In 2013, the Society undertook an actuarial valuation of the sick leave benefit and based on the results of the actuarial report, increased the liability by \$150,273 to \$1,136,015 (2012 - \$1,005,000).

Sick day benefit payments during the year amounted to \$19,257 (2012 - \$48,859).

11 Designated funds

| | 2013 \$ | 2012 \$ |
|--|------------|------------|
| Externally restricted by donor | | |
| Allison Cochlear Implant Fund | 29,864 | 28,180 |
| CHS Children's Fund | 74,021 | 78,185 |
| Dorothy O'Neill Research Fund | 25,905 | 24,222 |
| Durham Area Fund | 21,675 | 20,266 |
| Hamilton Steele Children's Fund | 345,040 | 327,631 |
| IMO Monica Price Bursary | 3,607 | 3,861 |
| London Regional Fund | 132,863 | 124,230 |
| Niagara Area Fund | 203,091 | 189,895 |
| Nicole Majorose Fund | 5,897 | 5,514 |
| Peel Regional Fund | 30,919 | 28,910 |
| Waterloo Building Occupancy Fund | 33,763 | 32,379 |
| Waterloo Children's Fund | 8,391 | 7,846 |
| | <hr/> | <hr/> |
| | 915,036 | 871,119 |
| Board restricted - unrestricted by donor | | |
| Award Fund | 17,017 | 15,911 |
| Chatham Area Fund | 20,744 | 19,396 |
| Hamilton Access Fund | 12,581 | 11,764 |
| Hamilton Building Fund | 72,627 | 86,697 |
| Kortwright Fund | 18,560 | 17,354 |
| Ottawa Regional Fund | 298,543 | 303,655 |
| Peterborough Regional Fund | 199,370 | 206,840 |
| Sault Ste. Marie Regional Fund | 39,680 | 37,101 |
| Head Office Building Fund | 1,480,283 | 1,269,644 |
| Strategic Initiatives Fund | 825,534 | 964,744 |
| Sudbury Regional Fund | 203,491 | 211,003 |
| Thunder Bay Regional Fund | 24,410 | 22,824 |
| Toronto Regional Fund | 43,123 | 40,322 |
| Training and Development Fund | 387,652 | 410,847 |

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| | 2013 \$ | 2012 \$ |
|-------------------------------|-----------------|-----------------|
| Waterloo Regional Fund | 29,987 | 28,039 |
| Waterloo Stork Family Fund | 25,098 | 35,554 |
| Windsor Regional Fund | 5,454 | 69,168 |
| | <hr/> 3,704,154 | <hr/> 3,750,863 |
| | <hr/> 4,619,190 | <hr/> 4,621,982 |
| Endowment fund | | |
| Donald & Anne C. McLean Fund* | <hr/> 311,943 | <hr/> 291,676 |

* This fund is a restricted fund and only the investment income earned on the fund balance can be used by the Society.

12 Grants

The Society has received the following grants:

| | 2013 \$ | 2012 \$ |
|---|------------------|------------------|
| Provincial | | |
| Ministry of Health and Long-Term Care | 10,074,189 | 9,730,169 |
| Ministry of Community and Social Services (note 13) | 7,334,156 | 7,357,369 |
| Ministry of Training, Colleges and Universities | 2,320,914 | 2,206,610 |
| Ministry of Community and Social Services - Ontario Disability Support Program | 441,160 | 521,700 |
| Other | 107,070 | 372,714 |
| Ontario Trillium Foundation | 75,000 | 135,100 |
| | <hr/> 20,352,489 | <hr/> 20,323,662 |
| Federal and other | | |
| Human Resources and Social Development Canada | 58,902 | 395,499 |
| Citizenship Immigration Canada | 281,175 | 280,405 |
| Other | 44,333 | 59,898 |
| | <hr/> 384,410 | <hr/> 735,802 |
| | <hr/> 20,736,899 | <hr/> 21,059,464 |

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Notes to Financial Statements

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13 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 | 208,089 | - | 208,089 | - |
| | 9295 | 109702 | Interpreter Services | 629,848 | 360,418 | 1,012,664 | (22,398) |
| | 9295 | 1000162 | Interpreter Services | 705,107 | 178,518 | 843,579 | 40,046 |
| | 9295 | 1000163 | Interpreter Services | 662,282 | 309,231 | 980,727 | (9,214) |
| | 9295 | 1000164 | Interpreter Services | 427,978 | 151,655 | 591,893 | (12,260) |
| | 9295 | 1000165 | Interpreter Services | 677,957 | 312,351 | 963,488 | 26,820 |
| | 9295 | 1000166 | Interpreter Services | 548,647 | 166,602 | 693,068 | 22,181 |
| | 9295 | 1000167 | Interpreter Services | 510,609 | 137,482 | 624,265 | 23,826 |
| | 9295 | 1000168 | Interpreter Services | 319,067 | 39,746 | 322,968 | 35,845 |
| | 9295 | 1000169 | Interpreter Services | 509,992 | 93,674 | 604,977 | (1,311) |
| | 8754 | 109702 | Interpreter Internship Program | 858,637 | - | 844,848 | 13,789 |
| | 8753 | 109702 | Langue de Québécoise (LSQ) Interpreter Services | 279,808 | 47,985 | 335,905 | (8,112) |
| | 8752 | 1000684 | After-Hours Health Related Interpreting Services | 692,833 | 91,223 | 798,601 | (14,545) |
| | 9295 | 109702 | Infrastructure improvement - Toronto | 19,900 | - | 17,998 | 1,902 |
| | | | | <u>7,050,754</u> | <u>1,888,885</u> | <u>8,843,070</u> | <u>96,569</u> |
| Broader Public Sector and Intervenors Service Funding | | | | | | | |
| Hamilton | 8783 | 052675 | BPS - Other Adult Social Services | 4,319 | - | 4,319 | - |
| Kingston | 8783 | 074473 | BPS - Other Adult Social Services | 3,221 | - | 3,221 | - |
| London | 8876 | 052255 | BPS - Other Adult Social Services | 2,890 | - | 2,890 | - |
| Ottawa | 8783 | 052702 | BPS - Other Adult Social Services | 7,647 | - | 7,647 | - |
| Peel/Waterloo | 8783 | 118649 | BPS - Other Adult Social Services | 5,304 | - | 5,304 | - |
| | 8783 | 052697 | BPS - Other Adult Social Services | 5,336 | - | 5,336 | - |
| Peterborough | 8783 | 052507 | BPS - Other Adult Social Services | 3,750 | - | 3,750 | - |
| Sault Ste. Marie | 8783 | 409687 | BPS - Other Adult Social Services | 4,683 | - | 4,683 | - |
| Sudbury | 8757 | 052686 | Intervenors Services | 327,425 | - | 323,710 | 3,715 |
| | 8783 | 052686 | BPS - Other Adult Social Services | 4,197 | - | 4,197 | - |
| Thunder Bay | 8783 | 052671 | BPS - Other Adult Social Services | 6,544 | - | 6,544 | - |
| Windsor | 8783 | 052651 | BPS - Other Adult Social Services | 8,370 | - | 8,370 | - |
| | | | | <u>7,434,440</u> | <u>1,888,885</u> | <u>9,223,041</u> | <u>100,284</u> |
| | | | | <u>(100,284)</u> | | | |
| Less: Repayables for 2012 - 2013 | | | | | | | |
| Total grants from Ministry of Community and Social Services | | | | <u>7,334,156</u> | | | |

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Notes to Financial Statements

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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:

| | 2013 \$ | 2012 \$ |
|--|----------------|----------------|
| Revenue | 182,715 | 145,160 |
| Expenses | | |
| Cost of tickets sold and promotion fees - retail | 25,128 | 20,224 |
| Promotion fees - agent | 57,433 | 45,761 |
| Licence fees and other | 48,887 | 48,879 |
| | <u>131,448</u> | <u>114,864</u> |
| Excess of revenue over expenses for the year | <u>51,267</u> | <u>30,296</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:

| | \$ |
|------------|------------------|
| 2014 | 1,085,615 |
| 2015 | 974,402 |
| 2016 | 632,829 |
| 2017 | 350,851 |
| 2018 | 251,907 |
| Thereafter | <u>239,129</u> |
| | <u>3,534,733</u> |

16 Community service grant

The Society received a community service grant of \$15,715 (2012 - \$15,715) from the City of Toronto.

17 United Way contribution

The Society received a contribution of \$40,956 (2012 - \$42,084) from the United Way of Burlington and Greater Hamilton.

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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 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. In addition, the Finance Committee reviews any significant changes to the investment mix.

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 financial position or the statement of operations of the Society.