

Canadian Hearing Society

Financial Statements

March 31, 2014



June 21, 2014

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, 2014 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 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 - occupancy and office and program costs, property, plant and equipment of \$1,410,956 (2013 - \$651,024), which should have been capitalized. Amortization expense for the year ended March 31, 2014 is understated by \$799,616 (2013 - \$685,678). The accumulated effect of this policy is to understate the net book value of property, plant and equipment as at March 31, 2014 by \$2,218,995 (2013 - \$1,607,654), and to understate the property plant and equipment fund balance as at March 31, 2014 by \$1,607,654 (2013- \$1,642,308 and April 1, 2012 - \$1,548,285).

The Society has 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, 2014 and March 31, 2013, property, plant and equipment and total assets as at March 31, 2014 and March 31, 2013 and fund balances as at beginning and end of the years ended March 31, 2014 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 years ended March 31, 2014 and March 31, 2013, current assets as at March 31, 2014 and March 31, 2013 and fund balances as at beginning and end of the years ended March 31, 2014 and March 31, 2013.

Our audit opinion on the financial statements for the year ended March 31, 2013 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, 2014 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, 2014

				2014	2013
	Operating fund \$	Designated funds \$	Endowment fund \$	Total \$	Total \$
Assets					
Current assets					
Cash (note 6)	-	-	-	-	116,230
Grants receivable	291,082	-	-	291,082	202,556
Accounts receivable	1,625,033	-	-	1,625,033	1,693,525
Inventory	518,663	-	-	518,663	499,297
Other assets	96,332	-	-	96,332	294,593
Interfund receivable (note 5)	626,586	-	-	626,586	193,315
Restricted investments (note 3)	-	963,053	-	963,053	900,000
	3,157,696	963,053	-	4,120,749	3,899,516
Investments (note 3)	-	3,568,113	342,660	3,910,773	4,224,448
Property, plant and equipment (note 4)	4,144,272	-	-	4,144,272	4,176,090
	7,301,968	4,531,166	342,660	12,175,794	12,300,054
Liabilities					
Current liabilities					
Bank indebtedness (note 6)	1,369,172	-	-	1,369,172	-
Accounts payable and accrued liabilities	1,235,362	-	-	1,235,362	1,684,179
Amount repayable to funders (note 7)	201,479	-	-	201,479	479,446
Deferred revenue (note 8)	1,286,444	-	-	1,286,444	1,679,168
Interfund payable (note 5)	-	626,586	-	626,586	193,315
	4,092,457	626,586	-	4,719,043	4,036,108
Sick leave benefit liability (note 9)	1,210,040	-	-	1,210,040	1,136,015
	5,302,497	626,586	-	5,929,083	5,172,123
Fund Balances					
Operating fund					
Property, plant and equipment	4,144,272	-	-	4,144,272	4,176,090
General	(2,144,801)	-	-	(2,144,801)	(1,979,292)
Designated funds (notes 5 and 10)	-	3,904,580	342,660	4,247,240	4,931,133
	1,999,471	3,904,580	342,660	6,246,711	7,127,931
	7,301,968	4,531,166	342,660	12,175,794	12,300,054

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, 2014

				2014	2013
	Operating fund \$	Designated funds \$	Endowment fund \$	Total \$	Total \$
Revenue					
Grants					
Province of Ontario (notes 8 and 11)	21,152,819	-	-	21,152,819	20,352,489
Federal and other (note 11)	525,445	-	-	525,445	384,410
Sales of goods and services (note 8)	10,026,768	-	-	10,026,768	10,713,713
Regional United Way contributions (note 8)	1,640,666	-	-	1,640,666	1,644,082
Fundraising and gaming activities	1,705,305	-	-	1,705,305	1,504,668
Interest and dividends	-	109,188	8,385	117,573	93,672
	<u>35,051,003</u>	<u>109,188</u>	<u>8,385</u>	<u>35,168,576</u>	<u>34,693,034</u>
Expenses					
Salaries and benefits	23,963,428	165,805	-	24,129,233	24,273,446
Cost of sales	4,182,499	-	-	4,182,499	4,537,880
Office and program costs	1,915,982	133,770	-	2,049,752	1,733,085
Occupancy (note 4)	2,325,299	692,354	-	3,017,653	1,907,786
Service costs (note 4)	1,033,465	149,247	-	1,182,712	1,101,853
Professional development and travel	1,124,999	6,200	-	1,131,199	1,064,199
Promotion and gaming	430,828	2,799	-	433,627	447,381
Amortization of property, plant and equipment	82,006	-	-	82,006	77,627
Bad debts	13,396	-	-	13,396	15,886
Client assistance and other	38,428	121,946	-	160,374	64,859
	<u>35,110,330</u>	<u>1,272,121</u>	<u>-</u>	<u>36,382,451</u>	<u>35,224,002</u>
(Deficiency) excess of revenue over expenses from operations	(59,327)	(1,162,933)	8,385	(1,213,875)	(530,968)
Fair value change in investments	-	310,324	22,331	332,656	223,487
(Deficiency) excess of revenue over expenses for the year	(59,327)	(852,609)	30,716	(881,220)	(307,481)

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, 2014

						2014	2013
	Operating fund						
	General \$	Property, plant and equipment \$	Total \$	Designated funds \$	Endowment fund \$	Total \$	Total \$
Balances - Beginning of year	(1,979,292)	4,176,090	2,196,798	4,619,189	311,944	7,127,931	7,435,412
Excess (deficiency) of revenue over expenses for the year	22,679	(82,006)	(59,327)	(852,609)	30,716	(881,220)	(307,481)
Appropriation (note 5)	(138,000)	-	(138,000)	138,000	-	-	-
Purchase of property, plant and equipment	(50,188)	50,188	-	-	-	-	-
Balances - End of year	(2,144,801)	4,144,272	1,999,471	3,904,580	342,660	6,246,711	7,127,931

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

Canadian Hearing Society

Statement of Cash Flows

For the year ended March 31, 2014

	2014 \$	2013 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(881,220)	(307,481)
Adjustments for non-cash items		
Amortization of property, plant and equipment	82,006	77,627
Interest and dividends reinvested	(117,573)	(93,672)
Net loss (gain) on investments	(332,655)	(223,487)
Increase in sick leave benefit liability	74,025	131,015
	<u>(1,175,417)</u>	<u>(415,998)</u>
Change in non-cash working capital balances		
Grants receivable	(88,526)	(3,338)
Accounts receivable	68,492	(52,013)
Inventory	(19,366)	(48,149)
Other assets	198,261	(144,887)
Accounts payable and accrued liabilities	(448,817)	40,803
Amount repayable to funders	(277,967)	17,187
Deferred revenue	(392,724)	236,101
	<u>(2,136,064)</u>	<u>(370,294)</u>
Investing activities		
Net sale of investments	700,850	159,236
Purchase of property, plant and equipment	(50,188)	(64,358)
	<u>650,662</u>	<u>94,878</u>
Decrease in cash during the year	(1,485,402)	(275,416)
Cash - Beginning of year	116,230	391,646
(Bank indebtedness) cash - End of year	<u>(1,369,172)</u>	<u>116,230</u>

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

Canadian Hearing Society

Notes to Financial Statements

March 31, 2014

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 Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organization (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.
- 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.
- 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.

Canadian Hearing Society

Notes to Financial Statements

March 31, 2014

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 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.

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, 2014. The Society recognized a writedown of approximately \$nil (2013 - \$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 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

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March 31, 2014

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.

Financial assets, other than those measured at fair value, are tested for impairment at the end of each reporting period when there are indicators the asset may be impaired.

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 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 revenue and expenses during the reporting period. For all estimates, actual results could differ from those estimates.

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Notes to Financial Statements

March 31, 2014

3 Investments

	2014 \$	2013 \$
Guaranteed investment certificates held with Royal Bank of Canada		
Short-term restricted investments		
One-year cashable, 0.80%, maturity October, 1, 2013	-	900,000
Non-redeemable, 1.20%, maturity April 2, 2014	207,200	-
Non-redeemable, 1.25%, maturity September 30, 2014	455,853	-
Non-redeemable, 1.15%, maturity July 2, 2014	300,000	-
	<u>963,053</u>	<u>900,000</u>
Equity instruments held in pooled funds with Leith Wheeler Investment Counsel Ltd. quoted in an active market	3,910,773	3,474,448
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>3,910,773</u>	<u>4,224,448</u>

4 Property, plant and equipment

	<u>2014</u>		
	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	71,423	170,006
Building improvements (post 2002)	48,597	48,597	-
Furniture and equipment	290,132	254,526	35,606
Automobiles	59,618	52,493	7,125
Computer equipment	32,117	22,960	9,157
Telephone equipment	100,212	-	100,212
Video conferencing equipment	384,404	138,812	245,592
	<u>4,733,083</u>	<u>588,811</u>	<u>4,144,272</u>

Canadian Hearing Society

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	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>

During the year, \$791,613 of head office parking garage repairs has been incurred which has been included in the occupancy and service costs expenses.

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 2014 of \$10,000 (2013 - \$10,000) to regional funds and \$128,000 (2013 - \$128,000) to building funds from the operating fund to the internally restricted fund for various building costs.

6 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, 2014, \$790,000 (2013 - \$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 relates to funding received that is related to specific programs in subsequent periods.

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Notes to Financial Statements

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

	2014 \$	2013 \$
Balance - Beginning of year	1,679,168	1,443,067
Less: Amounts recognized as revenue in the year	(1,301,956)	(815,374)
Add: Amounts received	909,232	1,051,475
	<hr/>	<hr/>
Balance - End of year	1,286,444	1,679,168

9 Sick leave benefit

In accordance with the Society's sick leave defined benefit plan, 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 liability for the accumulated sick leave represents management's best estimate as to the Society's future liability pertaining to all employees. In 2014, the Society undertook an actuarial valuation of the sick leave benefit and based on the results of the actuarial report, increased the liability by \$75,000 to \$1,210,040 (2013 - \$1,136,015).

Sick day benefit payments during the year amounted to \$975 (2013 - \$19,257).

10 Designated funds

	2014 \$	2013 \$
Externally restricted by donor		
Allison Cochlear Implant Fund	31,404	29,864
CHS Children's Fund	69,037	74,021
Dorothy O'Neill Research Fund	28,456	25,905
Durham Area Fund	23,809	21,675
Hamilton Steele Children's Fund	357,905	345,040
IMO Monica Price Bursary	3,429	3,607
London Regional Fund	145,946	132,863
Niagara Area Fund	223,089	203,091
Nicole Majorose Fund	6,477	5,897
Peel Regional Fund	30,907	30,919
Waterloo Building Occupancy Fund	37,087	33,763
Waterloo Children's Fund	7,706	8,391
	<hr/>	<hr/>
	965,252	915,036
Board restricted - unrestricted by donor		
Award Fund	18,693	17,017
Chatham Area Fund	-	20,744
Hamilton Access Fund	3,820	12,581
Hamilton Building Fund	69,779	72,627
Kortwright Fund	20,388	18,560
Ottawa Regional Fund	306,519	298,543

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	2014 \$	2013 \$
Peterborough Regional Fund	196,863	199,370
Sault Ste. Marie Regional Fund	43,587	39,680
Head Office Building Fund	1,222,813	1,480,283
Strategic Initiatives Fund	532,670	825,534
Sudbury Regional Fund	22,477	203,491
Thunder Bay Regional Fund	26,813	24,410
Toronto Regional Fund	47,370	43,123
Training and Development Fund	388,255	387,652
Waterloo Regional Fund	29,756	29,987
Waterloo Stork Family Fund	9,525	25,098
Windsor Regional Fund	-	5,454
	<u>2,939,328</u>	<u>3,704,154</u>
	<u>3,904,580</u>	<u>4,619,190</u>
Endowment fund		
Donald & Anne C. McLean Fund*	<u>342,660</u>	<u>311,943</u>

* This fund is a restricted fund 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:

	2014 \$	2013 \$
Provincial		
Ministry of Health and Long-Term Care	10,098,952	10,074,189
Ministry of Community and Social Services (note 12)	7,779,408	7,334,156
Ministry of Training, Colleges and Universities	2,267,397	2,320,914
Ministry of Community and Social Services - Ontario Disability Support Program	453,549	441,160
Other	378,513	107,070
Ontario Trillium Foundation	175,000	75,000
	<u>21,152,819</u>	<u>20,352,489</u>
Federal and other		
Human Resources and Social Development Canada	35,177	58,902
Citizenship Immigration Canada	438,825	281,175
Other	51,443	44,333
	<u>525,445</u>	<u>384,410</u>
	<u>21,678,264</u>	<u>20,736,899</u>

Canadian Hearing Society

Notes to Financial Statements

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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	109702	BPS - Other Adult Social Services	260,153	-	260,153	-
	9295	109702	ASL Interpreter Services	703,848	420,530	881,436	242,942
	9295	1000162	ASL Interpreter Services	705,107	186,393	931,986	(40,486)
	9295	1000163	ASL Interpreter Services	662,282	305,006	928,062	39,226
	9295	1000164	ASL Interpreter Services	427,978	135,558	596,298	(32,762)
	9295	1000165	ASL Interpreter Services	677,957	271,117	996,417	(47,343)
	9295	1000166	ASL Interpreter Services	548,647	128,610	759,104	(81,847)
	9295	1000167	ASL Interpreter Services	510,609	169,448	607,697	72,360
	9295	1000168	ASL Interpreter Services	319,067	32,502	374,838	(23,269)
	9295	1000169	ASL Interpreter Services	509,992	84,724	710,108	(115,392)
	8754	109702	Interpreter Internship Program	858,637	-	822,828	35,809
	8753	109702	Langue de Québécoise (LSQ) Interpreter Services	279,808	40,930	322,123	(1,385)
	8752	109702	After-Hours Health Related Interpreting Services	692,833	78,481	818,974	(47,660)
	9295	109702	Infrastructure improvement - Toronto	85,600	-	71,037	14,563
				<u>7,242,518</u>	<u>1,853,299</u>	<u>9,081,061</u>	<u>14,756</u>
Broader Public Sector and Intervenors Service Funding							
Sudbury	8757	052686	Intervenors Services	478,568	-	478,911	(343)
	8783	052686	BPS - Other Adult Social Services	4,197	-	4,197	-
				<u>7,725,283</u>	<u>1,853,299</u>	<u>9,564,169</u>	<u>14,413</u>
				(14,756)			
				<u>68,881</u>			
Less: Repayables for 2013 - 2014							
Plus: Prior year's adjustments							
Total grants from Ministry of Community and Social Services				<u>7,779,408</u>			

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Notes to Financial Statements

March 31, 2014

13 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:

	2014 \$	2013 \$
Revenue	251,191	182,715
Expenses		
Cost of tickets sold and promotion fees - retail	34,494	25,128
Promotion fees - agent	78,489	57,433
Licence fees and other	60,893	48,887
	<u>173,876</u>	<u>131,448</u>
Excess of revenue over expenses for the year	<u>77,315</u>	<u>51,267</u>

14 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:

	\$
2015	1,068,800
2016	665,309
2017	391,146
2018	285,270
2019	174,144
Thereafter	<u>260,353</u>
	<u>2,845,022</u>

15 Community service grant

The Society received a community service grant of \$16,345 (2013 - \$15,715) from the City of Toronto.

16 United Way contribution

The Society received a contribution of \$39,097 (2013 - \$40,956) from the United Way of Burlington and Greater Hamilton.

17 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.

Canadian Hearing Society

Notes to Financial Statements

March 31, 2014

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.

18 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.

19 Subsequent event

The Society received an unrestricted bequest on April 11, 2014 for \$475,000.