

Canadian Hearing Society

Financial Statements

March 31, 2015



June 13, 2015

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, 2015, 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 \$714,645 (2014 - \$1,410,956), which should have been capitalized. Amortization expense for the year ended March 31, 2015 is understated by \$866,621 (2014 - \$799,616). The accumulated effect of this policy is to understate the net book value of property, plant and equipment as at March 31, 2015 by \$2,067,019 (2014 - \$2,218,994), and to understate the property plant and equipment fund balance as at March 31, 2015 by \$2,067,019 (2014 - \$2,218,994).

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 adjustments to amortization of property, plant and equipment, deficient of revenue over expenses for the years ended March 31, 2015 and March 31, 2014, property, plant and equipment and total assets as at March 31, 2015 and March 31, 2014, and fund balances as at the beginning and end of the years ended March 31, 2015 and March 31, 2014.

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, 2015 and March 31, 2014, current assets as at March 31, 2015 and March 31, 2014 and fund balances as at the beginning and end of the years ended March 31, 2015 and March 31, 2014.

Our audit opinion on the financial statements for the year ended March 31, 2014 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, 2015 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, 2015

				2015	2014
	Operating fund \$	Designated funds \$	Endowment funds \$	Total \$	Total \$
Assets					
Current assets					
Cash (note 6)	901,984	-	-	901,984	-
Grants receivable	215,660	-	-	215,660	291,082
Accounts receivable	1,550,910	-	-	1,550,910	1,625,033
Inventory	503,929	-	-	503,929	518,663
Other assets	266,081	-	-	266,081	96,332
Interfund receivable (note 5)	-	570,367	-	570,367	626,586
Restricted investments (note 3)	-	-	-	-	963,053
	3,438,564	570,367	-	4,008,931	4,120,749
Investments (note 3)	-	4,301,831	497,404	4,799,235	3,910,773
Property, plant and equipment (note 4)	4,045,564	-	-	4,045,564	4,144,272
	7,484,128	4,872,198	497,404	12,853,730	12,175,794
Liabilities					
Current liabilities					
Bank indebtedness (note 6)	-	-	-	-	1,369,172
Accounts payable and accrued liabilities	1,771,648	-	-	1,771,648	1,235,362
Amount repayable to funders (note 7)	266,844	-	-	266,844	201,479
Deferred revenue (note 8)	1,269,059	-	-	1,269,059	1,286,444
Interfund payable (note 5)	570,367	-	-	570,367	626,586
	3,877,918	-	-	3,877,918	4,719,043
Sick leave benefit liability (note 9)	1,274,000	-	-	1,274,000	1,210,040
	5,151,918	-	-	5,151,918	5,929,083
Fund Balances					
Operating fund					
Property, plant and equipment	4,045,564	-	-	4,045,564	4,144,272
General	(1,713,354)	-	-	(1,713,354)	(2,144,801)
Designated funds (notes 5 and 10)	-	4,872,198	497,404	5,369,602	4,247,240
	2,332,210	4,872,198	497,404	7,701,812	6,246,711
	7,484,128	4,872,198	497,404	12,853,730	12,175,794

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, 2015

				2015	2014
	Operating fund	Designated funds	Endowment fund	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Grants					
Province of Ontario (note 11)	20,613,418	-	-	20,613,418	21,152,819
Federal and other (notes 11 and 15)	516,138	-	-	516,138	525,445
Sales of goods and services (note 8)	9,546,224	-	-	9,546,224	9,299,947
Regional United Way contributions (note 16)	1,600,277	-	-	1,600,277	1,640,666
Fundraising and gaming activities (note 8)	2,482,804	334,973	304,432	3,122,209	1,705,305
Gain on sale of equipment	39,760	-	-	39,760	-
Interest and dividends	5,125	115,244	5,502	125,871	117,573
	<u>34,803,746</u>	<u>450,217</u>	<u>309,934</u>	<u>35,563,897</u>	<u>34,441,755</u>
Expenses					
Salaries and benefits	23,277,013	220,157	-	23,497,170	24,129,233
Cost of sales	3,562,232	-	-	3,562,232	3,455,678
Office and program costs	2,203,109	9,500	-	2,212,609	2,049,752
Occupancy	1,951,130	173,215	-	2,124,345	3,017,653
Service costs	808,919	33,840	-	842,759	1,182,712
Professional development and travel	1,147,151	20,995	-	1,168,146	1,131,199
Promotion and gaming	553,531	59,398	-	612,929	433,627
Amortization of property, plant and equipment	98,708	-	-	98,708	82,006
Bad debts	65,093	-	-	65,093	13,396
Client assistance and other	73,721	47,549	-	121,270	160,374
	<u>33,740,607</u>	<u>564,654</u>	<u>-</u>	<u>34,305,261</u>	<u>35,655,630</u>
Excess (deficiency) of revenue over expenses from operations	1,063,139	(114,437)	309,934	1,258,636	(1,213,875)
Fair value change in investments	-	186,655	9,810	196,465	332,655
Excess (deficiency) of revenue over expenses for the year	<u>1,063,139</u>	<u>72,218</u>	<u>319,744</u>	<u>1,455,101</u>	<u>(881,220)</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, 2015

						2015	2014
	Operating fund						
	General \$	Property, plant and equipment \$	Total \$	Designated funds \$	Endowment fund \$	Total \$	Total \$
Balances - Beginning of year	(2,144,801)	4,144,272	1,999,471	3,904,580	342,660	6,246,711	7,127,931
Excess (deficiency) of revenue over expenses for the year	1,161,847	(98,708)	1,063,139	72,218	319,744	1,455,101	(881,220)
Appropriations (note 5)	(730,400)	-	(730,400)	730,400	-	-	-
Transfers (note 5)	-	-	-	165,000	(165,000)	-	-
Balances - End of year	(1,713,354)	4,045,564	2,332,210	4,872,198	497,404	7,701,812	6,246,711

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

Canadian Hearing Society

Statement of Cash Flows

For the year ended March 31, 2015

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	1,135,357	(911,936)
Adjustments for non-cash items		
Amortization of property, plant and equipment	98,708	82,006
Interest and dividends reinvested	(125,871)	(117,573)
Fair value change in investments	(196,465)	(332,655)
Increase in sick leave benefit liability	63,960	74,025
	<hr/>	<hr/>
	975,689	(1,206,133)
Change in non-cash working capital balances		
Grants receivable	75,422	(88,526)
Accounts receivable	74,123	68,492
Inventory	14,734	(19,366)
Other assets	(169,749)	198,261
Accounts payable and accrued liabilities	536,286	(448,817)
Amount repayable to funders	65,365	(277,967)
Deferred revenue	(17,385)	(392,724)
	<hr/>	<hr/>
	1,554,485	(2,166,780)
Investing activities		
Net sale of investments	396,927	700,850
Purchase of property, plant and equipment	-	(50,188)
	<hr/>	<hr/>
	396,927	650,662
Financing activities		
Endowment contributions	319,744	30,716
	<hr/>	<hr/>
Change in cash during the year	2,271,156	(1,485,402)
(Bank indebtedness) cash - Beginning of year	(1,369,172)	116,230
	<hr/>	<hr/>
Cash (bank indebtedness) - End of year	901,984	(1,369,172)
	<hr/>	<hr/>

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

Canadian Hearing Society

Notes to Financial Statements

March 31, 2015

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 organizations (ASNPO) and include the following significant policies:

Fund accounting

These financial statements include the operations of the head office of the Society and its 26 locations, 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 funds - includes donations that are required to be maintained by the Society on a permanent basis, and also includes investment income earned on those funds.

Canadian Hearing Society

Notes to Financial Statements

March 31, 2015

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.

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 goods sold for the year ended March 31, 2015. The cost of goods sold recognized in the statement of operations for the year amounts to \$3,115,215 (2014 - \$3,119,999). The Society recognized a writedown of approximately \$nil (2014 - \$nil).

Investments

Investments are managed by a third party investment manager reporting directly to the Finance Committee established by the Board of Directors. The investments can consist of a mix of publicly traded short and long-term fixed income investments, guaranteed investment certificates and publicly traded equities. Investments are made in accordance with the Society's investment policy. The principal of the investment policy is to provide sufficient income to enable the Society to carry out its mission and related activities, effectively, both in the short and long term as well as to preserve investment capital by closely managing the risk of significant investment loss.

Fixed income investments maturing within one year from the statement of financial position date are reflected as short-term 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.

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.

Canadian Hearing Society

Notes to Financial Statements

March 31, 2015

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, 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 tested for impairment at the end of each reporting period when there are indicators the asset may be impaired.

Canadian Hearing Society

Notes to Financial Statements

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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.

3 Investments

	2015 \$	2014 \$
Guaranteed investment certificates held with Royal Bank of Canada		
Short-term restricted investments		
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
	<hr/>	<hr/>
	-	963,053
	<hr/>	<hr/>
Equity instruments held in pooled funds with Leith Wheeler Investment Counsel Ltd. quoted in an active market	4,799,235	3,910,773
	<hr/>	<hr/>

4 Property, plant and equipment

			2015	2014
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land and buildings (prior to 2003)	3,476,574	-	3,476,574	3,476,574
Land (post 2002)	100,000	-	100,000	100,000
Buildings (post 2002)	241,429	77,459	163,970	170,006
Building improvements (post 2002)	48,597	48,597	-	-
Furniture and equipment	290,132	254,526	35,606	35,606
Automobiles	59,618	59,618	-	7,125
Computer equipment	32,117	27,737	4,380	9,157
Telephone equipment	100,212	16,702	83,510	100,212
Video conferencing equipment	384,404	202,880	181,524	245,592
	<hr/>	<hr/>	<hr/>	<hr/>
	4,733,083	687,519	4,045,564	4,144,272
	<hr/>	<hr/>	<hr/>	<hr/>

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.

Canadian Hearing Society

Notes to Financial Statements

March 31, 2015

The Society's Board approved an appropriation relating to fiscal 2015 of \$602,400 (2014 - \$10,000) to regional funds and \$128,000 (2014 - \$128,000) to building funds from the operating fund to the internally restricted fund for various uses and building costs. The Society's Board also approved a transfer of interest earned on endowment funds of \$165,000 (2014 - \$nil) to the designated funds.

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, 2015, \$nil (2014 - \$790,000) 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.

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

	2015 \$	2014 \$
Balance - Beginning of year	1,286,444	1,679,168
Less: Amounts recognized as revenue in the year	(790,857)	(1,301,956)
Add: Amounts received	773,472	909,232
Balance - End of year	<u>1,269,059</u>	<u>1,286,444</u>

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 2015, the Society undertook an actuarial valuation of the sick leave benefit and based on the results of the actuarial report, increased the liability by \$63,960 to \$1,274,000 (2014 - \$1,210,040).

Sick day benefit payments during the year amounted to \$15,840 (2014 - \$975).

Canadian Hearing Society

Notes to Financial Statements

March 31, 2015

10 Designated funds

	2015 \$	2014 \$
Externally restricted by donor		
Allison Cochlear Implant Fund	33,197	31,404
CHS Children's Fund	62,763	69,037
Dorothy O'Neill Research Fund	30,376	28,456
Durham Area Fund	25,415	23,809
Hamilton Steele Children's Fund	367,290	357,905
IMO Monica Price Bursary	3,142	3,429
London Regional Fund	155,244	145,946
London Anne Sanderson Fund	80,265	
Niagara Area Fund	238,141	223,089
Nicole Majorose Fund	6,914	6,477
Peel Regional Fund	32,993	30,907
Thunder Bay Sharon Bjorklund Fund	28,102	
Waterloo Building Occupancy Fund	39,590	37,087
Waterloo Children's Fund	8,226	7,706
Waterloo Sertoma/LaSetoma Fund	225,355	
	<hr/> 1,337,013	<hr/> 965,252
Board restricted - unrestricted by donor		
Award Fund	-	18,693
Hamilton Access Fund	4,078	3,820
Hamilton Building Fund	74,487	69,779
Kortwright Fund	-	20,388
Ottawa Regional Fund	304,327	306,519
Peterborough Regional Fund	187,349	196,863
Sault Ste. Marie Regional Fund	46,528	43,587
Head Office Building Fund	1,290,146	1,222,813
Strategic Initiatives Fund	1,288,316	532,670
Sudbury Regional Fund	23,993	22,477
Thunder Bay Regional Fund	28,622	26,813
Toronto Regional Fund	50,566	47,370
Training and Development Fund	206,541	388,255
Waterloo Regional Fund	29,990	29,756
Waterloo Stork Family Fund	242	9,525
	<hr/> 3,535,185	<hr/> 2,939,328
	<hr/> 4,872,198	<hr/> 3,904,580
Endowment funds*		
Donald & Anne C. McLean Fund*	194,110	342,660
Hamilton McCormick Fund	303,294	-
	<hr/> 497,404	<hr/> 342,600

* 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, 2015

11 Grants

The Society has received the following grants:

	2015 \$	2014 \$
Provincial		
Ministry of Health and Long-Term Care	9,852,938	10,098,952
Ministry of Community and Social Services (note 12)	7,766,502	7,779,408
Ministry of Training, Colleges and Universities	2,233,886	2,267,397
Ministry of Community and Social Services - Ontario Disability Support Program	537,045	453,549
Other	223,047	378,513
Ontario Trillium Foundation	-	175,000
	<hr/> 20,613,418	<hr/> 21,152,819
Federal and other		
Human Resources and Social Development Canada	40,753	35,177
Citizenship Immigration Canada	427,480	438,825
Other	47,905	51,443
	<hr/> 516,138	<hr/> 525,445
	<hr/> 21,129,556	<hr/> 21,678,264

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	766,303	455,757	812,021	410,039
	9295	1000162	ASL Interpreter Services	989,265	535,815	1,428,192	96,888
	9295	1000165	ASL Interpreter Services	1,105,935	443,433	1,709,371	(160,003)
	9295	1000167	ASL Interpreter Services	1,437,380	324,957	1,954,537	(192,200)
	9295	1000168	ASL Interpreter Services	829,059	129,334	1,084,880	(126,487)
	8754	109702	Interpreter Internship Program	858,637	-	853,186	5,451
	8753	109702	Langue de Québécoise (LSQ) Interpreter Services	279,808	71,983	340,321	11,470
	8752	109702	After-Hours Health Related Interpreting Services	692,833	81,403	840,999	(66,763)
				<u>7,219,373</u>	<u>2,042,682</u>	<u>9,283,660</u>	<u>(21,605)</u>
Intervenors Service Funding							
Sudbury	8746	052686	Intervenors Services for Community Participation	547,783	1,000	539,585	9,198
	8783	052686	BPS - Other Adult Social Services	4,197	-	4,197	-
				<u>551,980</u>	<u>2,403,682</u>	<u>9,827,442</u>	<u>(12,407)</u>
				(9,198)			
				<u>4,347</u>			
Less: Repayables for 2014 - 2015							
Plus: Prior year's adjustments							
Total grants from Ministry of Community and Social Services				<u>7,766,502</u>			

Canadian Hearing Society

Notes to Financial Statements

March 31, 2015

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:

	2015 \$	2014 \$
Revenue	287,475	251,191
Expenses		
Cost of tickets sold and promotion fees - retail	39,282	34,494
Promotion fees - agent	89,802	78,489
Licence fees and other	64,948	60,893
	<u>194,032</u>	<u>173,876</u>
Excess of revenue over expenses for the year	<u>93,443</u>	<u>77,315</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:

	\$
2016	936,838
2017	644,407
2018	527,318
2019	382,118
2020	277,958
Thereafter	<u>209,279</u>
	<u>2,977,918</u>

15 Community service grant

The Society received a community service grant of \$16,705 (2014 - \$16,345) from the City of Toronto.

16 United Way contribution

The Society received a contribution of \$33,404 (2014 - \$39,097) 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, liquidity risk and cash flow risk.

Canadian Hearing Society

Notes to Financial Statements

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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 Comparative figures

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