

CANADIAN HARD OF HEARING ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2022

DRAFT

CANADIAN HARD OF HEARING ASSOCIATION

TABLE OF CONTENTS

| | PAGE |
|------------------------------------|------|
| Independent Auditor's Report | 1 |
| Statement of Operations | 3 |
| Statement of Changes in Net Assets | 4 |
| Statement of Financial Position | 5 |
| Statement of Cash Flows | 6 |
| Notes to the Financial Statements | 7 |
| Additional Information | 14 |

INDEPENDENT AUDITOR'S REPORT

To the Members of
Canadian Hard of Hearing Association

Opinion

We have audited the financial statements of Canadian Hard of Hearing Association (the Association), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
April 27, 2023

CANADIAN HARD OF HEARING ASSOCIATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2022

3

| | 2022 | 2021 |
|---|------------------|------------------|
| REVENUES | | |
| Project grants and contributions (Schedule A) | \$ 676,581 | \$ 692,302 |
| Contribution from CHHA Foundation (Note 10) | 99,000 | 105,000 |
| Bequests and donations | 36,109 | 63,526 |
| Memberships | 15,087 | 14,960 |
| Conference and events (Schedule B) | 14,092 | 41,293 |
| Social Enterprise | 12,836 | 7,791 |
| Fundraising | 8,494 | 12,551 |
| Canada Emergency Wage Subsidy | - | 13,507 |
| Other | 14,668 | 13,121 |
| | 876,867 | 964,051 |
| OPERATING EXPENSES | | |
| Projects | 682,787 | 692,468 |
| Members support costs | 151,968 | 211,842 |
| Conference and events | - | 45,056 |
| | 834,755 | 949,366 |
| EXCESS OF REVENUES OVER EXPENSES | \$ 42,112 | \$ 14,685 |

CANADIAN HARD OF HEARING ASSOCIATION

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2022

4

| | Unrestricted | Internal Restriction | | 2022 Total | 2021 Total |
|-----------------------------------|--------------|-----------------------|----------------------|---------------|---------------|
| | | Special Initiative | Charlotte Lavigne | | |
| BALANCE, BEGINNING OF YEAR | \$ 16,691 | \$ 46,550 | \$ 112,000 | \$ 175,241 | \$ 160,556 |
| Excess of revenues over expenses | 42,112 | - | - | 42,112 | 14,685 |
| BALANCE, END OF YEAR | \$ 58,803 | \$ 46,550 | \$ 112,000 | \$ 217,353 | \$ 175,241 |

CANADIAN HARD OF HEARING ASSOCIATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

5

| | 2022 | 2021 |
|--|--------------|---------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 788,069 | \$ 346,666 |
| Cash - Young Adult Network | - | 20,571 |
| Accounts receivable (Note 3) | 80,666 | 19,757 |
| Grant receivable | 13,115 | - |
| Current portion of investments (Note 4) | 119,463 | 117,371 |
| | 1,001,313 | 504,365 |
| CAPITAL ASSETS (Note 5) | 6,684 | 10,171 |
| | \$ 1,007,997 | \$ 514,536 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 6) | \$ 24,561 | \$ 84,723 |
| Due to the Young Adult Network | 16,882 | 20,571 |
| Deferred grants and contributions (Note 7) | 689,201 | 174,001 |
| Current renewable portion of long-term debt (Note 8) | 60,000 | - |
| | 790,644 | 279,295 |
| LONG-TERM DEBT (Note 8) | - | 60,000 |
| | 790,644 | 339,295 |
| NET ASSETS | | |
| Unrestricted | 58,803 | 16,691 |
| Internal restriction (Note 9) | | |
| Special Initiative Fund | 46,550 | 46,550 |
| Charlotte Lavigne Fund | 112,000 | 112,000 |
| | 217,353 | 175,241 |
| | \$ 1,007,997 | \$ 514,536 |

ON BEHALF OF THE BOARD

_____, Director

_____, Director

CANADIAN HARD OF HEARING ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

6

| | 2022 | 2021 |
|--|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenues over expenses | \$ 42,112 | \$ 14,685 |
| Adjustment for: | | |
| Amortization of capital assets | 3,487 | 3,791 |
| | 45,599 | 18,476 |
| Net change in non-cash items related to operating activities: | | |
| Cash - Young Adult Network | 20,571 | 3,699 |
| Accounts receivable | (60,909) | 114,067 |
| Grant receivable | (13,115) | - |
| Prepaid expenses | - | 3,500 |
| Accounts payable and accrued liabilities | (60,162) | 65,880 |
| Due to the Young Adult Network | (3,689) | (3,699) |
| Deferred grants and contributions | 515,200 | (130,775) |
| | 397,896 | 52,672 |
| | 443,495 | 71,148 |
| INVESTING ACTIVITY | | |
| Net change in investments | (2,092) | (363) |
| FINANCING ACTIVITY | | |
| Proceeds from long-term debt | - | 20,000 |
| INCREASE IN CASH AND CASH EQUIVALENTS | 441,403 | 90,785 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 346,666 | 255,881 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 788,069 | \$ 346,666 |

Cash and cash equivalents consist of cash.

CANADIAN HARD OF HEARING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

7

1. STATUTE AND NATURE OF OPERATIONS

The Canadian Hard of Hearing Association (the Association) is an organization committed to promote the development and accessibility to technical aids, services and facilities for the hard of hearing. The Association is directed by a volunteer Board of Directors committed to the planning and coordination of services to the hard of hearing. The Association is incorporated as a not-for-profit organization under the Not-for-Profit Corporations Act, and is a registered charity for income tax purposes. The Association is exempt from income tax.

These financial statements include only the assets, liabilities, revenue and expenses of the Association's national office and do not include the assets, liabilities, revenue and expenses of the branch offices, each of which is a separate legal entity with its own management and Board of Directors, that are not under the control of the Association.

2. SIGNIFICANT ACCOUNTING POLICIES

The Association applies the Canadian accounting standards for not-for-profit organizations.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the amounts recognized as revenues and expenses for the periods covered. Actual results may differ from these estimates.

Revenue recognition

The Association follows the deferral method of accounting for grants and contributions. Under this method, grants and contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred when the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted grants and contributions as well as memberships, fundraising, conference and events, bequests and donations, social enterprise and other revenue are recognized as revenue, when received or receivable, provided that the amount to be received can be reasonably estimated and collection reasonably assured.

In-kind donated services

The work of the Association is dependant of the voluntary service of many members. The value of donated services and materials is not recognized in these financial statements.

CANADIAN HARD OF HEARING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

8

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocated expenses

The Association allocates certain of its salaries and benefits as well as its rent and other expenses by identifying the appropriate basis of allocating each component expense, and applies that basis consistently each year. The expenses are allocated based on the approved budget of the grants which are based on the actual needs of the Association.

Capital assets

Capital assets are accounted for at cost. Amortization is calculated on their respective estimated useful life using the diminishing balance method at the rate of 20%.

Write-down of capital assets

When a capital asset no longer contributes to the Association's ability to provide services, its carrying amount is written down to residual value, if any. The excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

Financial instruments

Initial measurement

The Association initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Association is in the capacity of management, are initially measured at cost.

Subsequent measurement

The Association subsequently measures all its financial assets and liabilities at cost or amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable, grant receivable and investments.

Impairment

For financial assets measured at cost or amortized cost, the Association determines whether there are indications of possible impairment. When there are, and the Association determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in operations. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

CANADIAN HARD OF HEARING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

9

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Transaction costs

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in operations in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in operations over the life of the instrument using the straight-line method.

Cash and cash equivalents

The Association's policy is to present bank balances under cash and cash equivalents, including bank indebtedness when bank balances that fluctuate frequently from being positive to overdrawn.

3. ACCOUNTS RECEIVABLE

| | 2022 | 2021 |
|---------------------------------|-----------|-----------|
| Trade accounts | \$ 61,229 | \$ 48,931 |
| Allowance for doubtful accounts | - | (39,000) |
| | 61,229 | 9,931 |
| HST receivable | 19,437 | 9,826 |
| | \$ 80,666 | \$ 19,757 |

4. INVESTMENTS

| | 2022 | 2021 |
|---|------------|------------|
| Manulife Trust Investment Savings, 1.295% | \$ 119,463 | \$ 117,371 |
| Current portion of investments | 119,463 | 117,371 |
| | \$ - | \$ - |

CANADIAN HARD OF HEARING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

10

5. CAPITAL ASSETS

| | 2022 | | 2021 | |
|-------------------------|-----------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Furniture and equipment | \$ 19,373 | \$ 12,689 | \$ 6,684 | \$ 10,171 |

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2022 | | 2021 | |
|--|------|--------|------|--------|
| Trade accounts and accrued liabilities | \$ | 24,561 | \$ | 70,484 |
| Grants and contributions payable | | - | | 14,239 |
| | \$ | 24,561 | \$ | 84,723 |

7. DEFERRED GRANTS AND CONTRIBUTIONS

| | 2022 | | 2021 | |
|--------------------------------------|------|-----------|------|-----------|
| Balance, beginning of year | \$ | 174,001 | \$ | 304,776 |
| Plus: amount granted during the year | | 1,183,337 | | 546,947 |
| Less: amount recognized as revenue | | (668,137) | | (677,722) |
| Balance, end of year | \$ | 689,201 | \$ | 174,001 |

The deferred grants and contributions are composed of the following items:

| | 2022 | | 2021 | |
|--|------|---------|------|---------|
| Skills for Success | \$ | 521,661 | \$ | - |
| Performance and accountability framework | | 81,783 | | 51,833 |
| Donation for Scholarships | | 48,500 | | - |
| New horizons for seniors program | | 22,257 | | - |
| The Catherine and Maxwell Meighen Foundation | | 15,000 | | - |
| Addressing the needs of people with communication disabilities | | - | | 104,092 |
| Other | | - | | 18,076 |
| | \$ | 689,201 | \$ | 174,001 |

CANADIAN HARD OF HEARING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

11

8. LONG-TERM DEBT

| | 2022 | 2021 |
|--|-----------|-----------|
| Canada Emergency Business Account, maturing in December 2025, interest-free until December 2023 and bearing interest at 5% thereafter, renewable in December 2023, of which a portion of \$20,000 is convertible into a grant if the loan is fully repaid before that date | \$ 60,000 | \$ 60,000 |
| Current renewable portion of long-term debt (Note 8) | 60,000 | - |
| | \$ - | \$ 60,000 |

9. INTERNAL RESTRICTIONS

Special Initiative Fund

The Special Initiative Fund has been created with the purpose of keeping in reserve a sum of money to cover unforeseen expenditures and special initiatives.

Charlotte Lavigne Fund

The Charlotte Lavigne Fund has been created with the purpose of keeping in reserve a sum of money to cover unforeseen expenditures.

10. CANADIAN HARD OF HEARING ASSOCIATION FOUNDATION

The Association currently has a memorandum of understanding with the Canadian Hard of Hearing Association Foundation, a non-related entity. The Foundation was established May 1, 1998 and was incorporated as a not-for-profit organization under the Not-for-Profit Corporations Act, and is a registered charity for income tax purposes. The Foundation is designated as a public foundation. As such, it is exempt from income tax and may issue tax receipts for donations. The primary function of the Foundation is to raise funds through private and public donations and to invest and manage these funds in order to fund the activities and programs of the Association as well as the independent branches and chapters across Canada.

The Association received and recognized a contribution in its statement of operations in the amount of \$99,000 (2021: \$105,000) from the Foundation.

CANADIAN HARD OF HEARING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

12

11. EXPENSES ALLOCATED TO PROJECTS

Salaries and benefits, rent and other expenses are allocated to members support costs and to projects as follows:

| 2022 | | | | | |
|-----------------------|------------|----------------------|-----------------------|------------|--|
| | Projects | Members support cost | Conference and events | Total | |
| Salaries and benefits | \$ 302,323 | \$ 32,818 | \$ - | \$ 335,141 | |
| Rent | 19,673 | 7,467 | - | 27,140 | |
| Other expenses | 14,951 | 111,683 | - | 126,634 | |
| | \$ 336,947 | \$ 151,968 | \$ - | \$ 488,915 | |
| 2021 | | | | | |
| | Projects | Members support cost | Conference and events | Total | |
| Salaries and benefits | \$ 342,439 | \$ 55,815 | \$ - | \$ 398,254 | |
| Rent | 24,955 | 1,085 | - | 26,040 | |
| Other expenses | 14,147 | 154,941 | 59,636 | 228,724 | |
| | \$ 381,541 | \$ 211,841 | \$ 59,636 | \$ 653,018 | |

12. FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the Association by failing to discharge an obligation. The Association's credit risk is mainly related to accounts receivable.

The Association provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses which, once they materialize, are consistent with management's forecasts.

CANADIAN HARD OF HEARING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

13

13. CONTRACTUAL OBLIGATIONS

The commitments of the Association under lease agreements expiring in 2029 aggregate to \$87,600. The instalments over the next years are the following:

| | | |
|--------|----|--------|
| 2023 | \$ | 12,500 |
| 2024 | \$ | 13,300 |
| 2025 | \$ | 14,000 |
| 2026 | \$ | 14,000 |
| 2027 | \$ | 14,000 |
| Others | \$ | 19,800 |

14. CONTINGENCIES

Other indemnification agreements

In the normal course of operations, the Association signs agreements whereby funds are provided for the execution of projects which are subject to restrictions as to the use of the funds. The sponsors of these projects can execute an audit of the financial records of the Association to ensure compliance with the project requirements. In the event that amounts to be reimbursed to the sponsor of a project are identified, the necessary adjustments will be recognized in the year they are identified.

CANADIAN HARD OF HEARING ASSOCIATION

ADDITIONAL INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2022

14

| | 2022 | 2021 |
|--|-------------------|-------------------|
| SCHEDULE A - PROJECT GRANTS AND CONTRIBUTIONS | | |
| Employment and Social Development Canada | \$ 664,298 | \$ 613,743 |
| Other | 12,283 | 11,798 |
| Canadian Heritage | - | 66,761 |
| | \$ 676,581 | \$ 692,302 |

SCHEDULE B - CONFERENCE AND EVENTS

| | | |
|------------------------------|------------------|------------------|
| Fundraising and sponsorships | \$ 14,092 | \$ 20,761 |
| Other conference events | - | 20,532 |
| | \$ 14,092 | \$ 41,293 |

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