

**CANADIAN HARD OF HEARING ASSOCIATION - NEWFOUNDLAND AND LABRADOR INC.**

**Financial Statements**

**Year Ended March 31, 2022**

**CANADIAN HARD OF HEARING ASSOCIATION - NEWFOUNDLAND AND LABRADOR INC.**

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**Year Ended March 31, 2022**

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# Fred Earle

Chartered Professional Accountant

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of CANADIAN HARD OF HEARING ASSOCIATION - NEWFOUNDLAND AND LABRADOR INC.

### *Qualified Opinion*

I have audited the financial statements of CANADIAN HARD OF HEARING ASSOCIATION - NEWFOUNDLAND AND LABRADOR INC. (the Association), which comprise the statement of financial position as at March 31, 2022, and the statements of revenues and expenses, 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 my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, the Association derives revenue from donation and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Association. Therefore, I was not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2022, current assets and net assets as at March 31, 2022. The predecessor auditor's opinion on the financial statements for the year ended March 31, 2021 was modified accordingly because of the possible effects of this limitation of scope.

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

### *Other Matter*

The financial statements for the year ended March 31, 2021 were audited by another auditor who expressed a qualified opinion on those financial statements on September 29, 2021 for the reasons described in the *Basis for Qualified Opinion* section.

### *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 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.

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Independent Auditor's Report to the Members of CANADIAN HARD OF HEARING ASSOCIATION  
- NEWFOUNDLAND AND LABRADOR INC. (continued)

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*

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

St. John's, Newfoundland and Labrador  
September 22, 2022

  
CHARTERED PROFESSIONAL ACCOUNTANT

**CANADIAN HARD OF HEARING ASSOCIATION - NEWFOUNDLAND AND LABRADOR INC.**

**Statement of Financial Position**

**March 31, 2022**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 700,276	\$ 125,948
Term deposits	245,395	204,533
Accounts receivable (Note 4)	109,200	169,260
Inventory	8,017	-
Prepaid expenses	13,496	11,783
Deposit on land	100,000	100,000
Deferred expenses (Note 8)	143,018	-
	<b>1,319,402</b>	611,524
CAPITAL ASSETS (Note 3)	481,588	499,441
LONG TERM INVESTMENTS	340,345	283,896
	<b>\$ 2,141,335</b>	<b>\$ 1,394,861</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Bank indebtedness (Note 5)	\$ -	\$ 208
Accounts payable and accrued liabilities	57,511	60,121
Current portion of long term debt (Note 6)	6,337	5,012
Deferred revenue (Note 8)	357,662	-
	<b>421,510</b>	65,341
LONG TERM DEBT (Note 6)	72,811	97,508
	<b>494,321</b>	162,849
NET ASSETS	<b>1,647,014</b>	1,232,012
	<b>\$ 2,141,335</b>	<b>\$ 1,394,861</b>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

The notes are an integral part of these financial statements

**CANADIAN HARD OF HEARING ASSOCIATION - NEWFOUNDLAND AND LABRADOR INC.****Statement of Revenues and Expenses****Year Ended March 31, 2022**

	<b>2022</b>	2021
<b>REVENUES</b>		
Administration ( <i>Schedule 1</i> )	\$ 100,651	\$ 122,443
Fundraising ( <i>Schedule 2</i> )	2,943,078	2,723,581
Programs & Services ( <i>Schedule 3</i> )	108,788	194,107
	<u>3,152,517</u>	<u>3,040,131</u>
<b>EXPENSES</b>		
Administration ( <i>Schedule 1</i> )	401,581	362,304
Fundraising ( <i>Schedule 2</i> )	2,002,024	1,810,251
Programs & Services ( <i>Schedule 3</i> )	333,910	470,310
	<u>2,737,515</u>	<u>2,642,865</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 415,002</u>	<u>\$ 397,266</u>

The notes are an integral part of these financial statements

**CANADIAN HARD OF HEARING ASSOCIATION - NEWFOUNDLAND AND LABRADOR INC.**

**Statement of Changes in Net Assets**

**Year Ended March 31, 2022**

	<b>2022</b>	2021
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>\$ 1,232,012</b>	\$ 834,746
EXCESS OF REVENUES OVER EXPENSES	<u>415,002</u>	<u>397,266</u>
<b>NET ASSETS - END OF YEAR</b>	<b><u>\$ 1,647,014</u></b>	<b>\$ 1,232,012</b>

**CANADIAN HARD OF HEARING ASSOCIATION - NEWFOUNDLAND AND LABRADOR INC.****Statement of Cash Flows  
Year Ended March 31, 2022**

	<b>2022</b>	2021
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 415,002	\$ 397,266
Item not affecting cash:		
Amortization of capital assets	<u>32,086</u>	33,984
	<b>447,088</b>	<b>431,250</b>
Changes in non-cash working capital:		
Accounts receivable	60,060	(88,233)
Inventory	(8,017)	-
Accounts payable and accrued liabilities	(2,614)	(1,356)
Deferred revenue	357,662	-
Prepaid expenses	(1,713)	(4,975)
Deposit on land	-	100,000
Deferred expenses	<u>(143,018)</u>	-
	<b>262,360</b>	<b>5,436</b>
Cash flow from operating activities	<u><b>709,448</b></u>	<u>436,686</u>
<b>INVESTING ACTIVITY</b>		
Purchase of capital assets	<u>(14,229)</u>	(14,296)
<b>FINANCING ACTIVITIES</b>		
Change in long-term investments	(56,449)	(283,896)
Proceeds from long term financing	-	60,000
Repayment of long term debt	(3,372)	(4,830)
Forgivable portion of Canada Emergency Business Account (CEBA)	<u>(20,000)</u>	-
Cash flow used by financing activities	<u>(79,821)</u>	<u>(228,726)</u>
<b>INCREASE IN CASH FLOW</b>	<b>615,398</b>	193,664
Cash - beginning of year	<u>330,273</u>	136,609
<b>CASH - END OF YEAR</b>	<u><b>\$ 945,671</b></u>	<u>\$ 330,273</u>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 700,276	\$ 125,948
Term deposits	245,395	204,533
Bank indebtedness	<u>-</u>	(208)
	<u><b>\$ 945,671</b></u>	<u>\$ 330,273</u>

The notes are an integral part of these financial statements



# CANADIAN HARD OF HEARING ASSOCIATION - NEWFOUNDLAND AND LABRADOR INC.

## Notes to Financial Statements

Year Ended March 31, 2022

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### 1. PURPOSE OF THE ASSOCIATION

CANADIAN HARD OF HEARING ASSOCIATION - NEWFOUNDLAND AND LABRADOR INC. (the Association) is a not-for-profit organization incorporated provincially under the Corporations Act of Newfoundland and Labrador on March 9, 1984. As a registered charity the Association is exempt from the payment of income tax under Subsection 149(1) of the Income Tax Act.

The Association operates to provide advocacy, awareness and accessibility programs for the hard of hearing and late deafened people of all ages and their families in Newfoundland and Labrador.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

#### Cash and cash equivalents

Cash is defined as cash on hand, cash on deposit, and short-term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the reporting dates.

#### Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Building	4%	declining balance method
Computer equipment	55%	declining balance method
Furniture and equipment	20%	declining balance method
Land		non-depreciable
Listening equipment	20%	declining balance method
Parking areas	8%	declining balance method
Signage	20%	declining balance method

The Association regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

#### Contributed services

The operations of the Association depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

#### Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

#### Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

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**CANADIAN HARD OF HEARING ASSOCIATION - NEWFOUNDLAND AND LABRADOR INC.**

**Notes to Financial Statements**

**Year Ended March 31, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates, including the estimated useful lives of capital assets, are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Revenue recognition

The Association follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Revenue from sales is recognized as the income is earned, specifically when the item is delivered to a customer, the amount to be collected can be reasonably determined and collection is reasonably assured

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Building	\$ 679,926	\$ 319,031	\$ 360,895	\$ 375,932
Computer equipment	57,045	52,014	5,031	1,623
Furniture and equipment	202,591	171,885	30,706	33,826
Land	50,000	-	50,000	50,000
Listening equipment	61,577	41,057	20,520	20,869
Parking areas	14,830	9,595	5,235	5,690
Signage	33,330	24,129	9,201	11,501
	<u>\$ 1,099,299</u>	<u>\$ 617,711</u>	<u>\$ 481,588</u>	<u>\$ 499,441</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2022	2021
Harmonized Sales Tax receivable	\$ 109,200	\$ 69,528
Canada Emergency Wage Subsidy (CEWS) receivable	-	99,732
	<u>\$ 109,200</u>	<u>\$ 169,260</u>

**CANADIAN HARD OF HEARING ASSOCIATION - NEWFOUNDLAND AND LABRADOR INC.**

**Notes to Financial Statements**

**Year Ended March 31, 2022**

5. BANK INDEBTEDNESS

The Association has a credit facility with Newfoundland and Labrador Credit Union Ltd which includes an approved operating line of credit that can be drawn upon to a maximum of \$700,000 and bears interest at prime plus 1%. The line of credit is secured by real property with a carrying value of \$410,895 and term deposits with a carrying value of \$480,000. At March 31, 2022, the amount owing which is due on demand was \$0 (2021 - \$208).

6. LONG TERM DEBT

	<u>2022</u>	<u>2021</u>
Metro Business Opportunities Corporation - Social Enterprise unsecured loan bearing interest at prime, repayable in monthly blended payments of \$470.	\$ 39,148	\$ 42,520
Canada Emergency Business Account (CEBA) interest-free loan until December 31, 2023, net of \$20,000 forgivable portion recognized as income in the current year. If not repaid by December 31, 2023, the loan is converted to a two-year term loan at an interest rate of 5% per annum, with interest only payments required until the principal balance is due on or before December 31, 2025.	<u>40,000</u>	<u>60,000</u>
	<b>79,148</b>	102,520
Amounts payable within one year	<u>(6,337)</u>	<u>(5,012)</u>
	<b>\$ 72,811</b>	<b>\$ 97,508</b>

Principal repayment terms are approximately:

2023	\$ 6,337
2024	44,890
2025	5,011
2026	5,135
2027	5,263
Thereafter	<u>12,512</u>
	<b>\$ 79,148</b>

7. FINANCIAL INSTRUMENTS

As part of its regular operations, the Association carries a number of financial instruments. The following analysis provides information about the Association's risk exposure and concentration as of March 31, 2022.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its receipt of funds from its fundraising activities and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

Interest rate risk

(continues)

## Notes to Financial Statements

Year Ended March 31, 2022

7. FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Unless otherwise noted, it is management's opinion that the Association is not exposed to significant other price risks arising from these financial instruments.

## 8. MILLION DOLLAR LOTTERY

During the year the Association began its fundraising efforts for Million Dollar Lottery, thus incurring revenues and expenses related to its lottery. As no prize draws were scheduled to occur on or before March 31, 2022, all revenues and expenses incurred have been deferred into the 2023 fiscal year. The following represents revenues and expenditures which have been deferred:

	<u>2022</u>
<b>Revenue</b>	
Million Dollar Lottery	<u>\$ 357,662</u>
	<u>357,662</u>
<b>Expenses</b>	
Consulting	45,688
Interest and bank charges	2,104
Advertising and promotion	59,600
Equipment rental	609
IT and website	34,900
Office and other	117
	<u>143,018</u>
	<u>\$ 214,644</u>

## 9. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread in Canada and around the world, resulting in government imposed emergency measures to combat the spread of the virus.

These emergency measures, including periodic lockdowns and ongoing restrictions, in conjunction with increased costs associated with additional personal protective equipment and other safety measures, have impacted the Association's operations.

While the Association has been able to mitigate the short-term impact of COVID-19, it is not possible to reliably estimate the severity and long-term impact COVID-19 may have on the Association's financial results, conditions, and cash flows.

During April 2020, in response to the challenges posed by the COVID-19 pandemic the Government of Canada implemented the Canada Emergency Wage Subsidy (CEWS) which provides a wage subsidy toward eligible remuneration, subject to limits and specified criteria which include a decline of revenue. During the year, the Association determined that it qualified and had therefore applied for CEWS. For the year ended March 31, 2022, the Association has recognized \$110,351 (2021 - \$199,135) as revenue from CEWS.

10. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. The prior year comparative figures were audited by another firm of Chartered Professional Accountants.

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**CANADIAN HARD OF HEARING ASSOCIATION - NEWFOUNDLAND AND LABRADOR INC.****Administration****(Schedule 1)****Year Ended March 31, 2022**

	<b>2022</b>	<b>2021</b>
<b>REVENUES</b>		
Government assistance	\$ 42,410	\$ 61,088
Canada Emergency Wage Subsidy (CEWS)	22,288	49,568
Canada Emergency Business Account (CEBA) loan forgiveness	20,000	-
Interest	6,956	10,151
Donations	8,997	1,465
Other income	-	171
	<u>100,651</u>	<u>122,443</u>
<b>EXPENSES</b>		
Salaries and wages	176,692	169,024
Repairs and maintenance	42,610	30,812
Office and other	39,665	35,939
Professional fees	37,987	25,237
Amortization	32,086	33,984
Insurance	14,423	11,615
Property taxes	14,095	4,161
Memberships, licenses, and fees	12,870	4,862
Donations, scholarships, and bursaries	11,437	8,970
Utilities	7,599	6,659
Telephone	7,268	10,693
Interest and bank charges	3,598	17,768
Captioning fees	1,251	2,274
Devices and services	-	306
	<u>401,581</u>	<u>362,304</u>
<b>DEFICIENCY OF REVENUES OVER EXPENSES</b>	<b>\$ (300,930)</b>	<b>\$ (239,861)</b>

The notes are an integral part of these financial statements

**CANADIAN HARD OF HEARING ASSOCIATION - NEWFOUNDLAND AND LABRADOR INC.****Fundraising****(Schedule 2)****Year Ended March 31, 2022**

	<b>2022</b>	<b>2021</b>
<b>REVENUES</b>		
Ultimate Dream Home Lottery	\$ 1,656,725	\$ 1,602,949
Ultimate Dream Home Lottery - 50/50	1,037,035	802,155
Lottery management systems	134,620	103,775
Spring Lottery - 50/50	71,210	166,540
Canada Emergency Wage Subsidy (CEWS)	43,488	48,162
	<u>2,943,078</u>	<u>2,723,581</u>
<b>EXPENSES</b>		
Prizes	729,694	713,477
Prizes - 50/50	554,123	485,932
Salaries and wages	215,388	176,547
Advertising and promotion	177,659	162,166
Interest and bank charges	91,218	76,056
IT and website	58,977	40,724
Consulting fees	55,363	58,065
Telephone	39,955	30,033
Memberships, licenses, and fees	25,051	16,224
Printing costs	24,427	24,836
Office and other	12,513	1,015
Courier and postage	8,613	14,995
Travel	7,235	7,062
Professional development	1,746	-
Repairs and maintenance	62	3,119
	<u>2,002,024</u>	<u>1,810,251</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 941,054</u>	<u>\$ 913,330</u>

The notes are an integral part of these financial statements

**CANADIAN HARD OF HEARING ASSOCIATION - NEWFOUNDLAND AND LABRADOR INC.****Programs & Services****(Schedule 3)****Year Ended March 31, 2022**

	<b>2022</b>	2021
<b>REVENUES</b>		
Canada Emergency Wage Subsidy (CEWS)	<b>\$ 44,575</b>	\$ 101,405
Program sales	<b>40,590</b>	18,528
Projects and grants	<b>14,118</b>	56,967
Other wage subsidies	<b>9,505</b>	17,207
	<b>108,788</b>	194,107
<b>EXPENSES</b>		
Salaries and wages	<b>255,035</b>	365,636
Devices and services	<b>28,501</b>	22,384
Advertising and promotion	<b>20,892</b>	8,698
Office and other	<b>12,811</b>	11,552
IT and website	<b>6,298</b>	5,332
Professional development	<b>3,209</b>	4,272
Courier and postage	<b>2,834</b>	1,344
Consulting fees	<b>1,200</b>	41,030
Donations, scholarships, and bursaries	<b>1,041</b>	-
Interest and bank charges	<b>889</b>	1,754
Speaker fees	<b>781</b>	342
Telephone	<b>364</b>	7,966
Repairs and maintenance	<b>55</b>	-
	<b>333,910</b>	470,310
<b>DEFICIENCY OF REVENUES OVER EXPENSES</b>	<b>\$ (225,122)</b>	<b>\$ (276,203)</b>

The notes are an integral part of these financial statements