

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

**Financial Statements**

**Year Ended March 31, 2019**

*Draft for discussion purposes only*

Prepared by	Reviewed by
CM 7/05/19	BS 7/07/19

CANADIAN HARD OF HEARING ASSOCIATION NEWFOUNDLAND AND LABRADOR  
CHAPTER INC.

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Year Ended March 31, 2019

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Canadian Hard of Hearing Association Newfoundland and Labrador Chapter Inc.

### *Qualified Opinion*

I have audited the financial statements of Canadian Hard of Hearing Association Newfoundland and Labrador Chapter Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2019, 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 Organization as at March 31, 2019, 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 Qualified Opinion*

In common with many not-for-profit organizations, the Organization derives revenue from donations, 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 Organization. Therefore, I was not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2019, current assets and net assets as at March 31, 2019. The predecessor auditor's opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of the 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 Organization in accordance with the 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 those 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 of the Organization for the year ended March 31, 2018 were audited by another firm who expressed a qualified opinion on those financial statements on September 18, 2018 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 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 Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

(continues)

Independent Auditor's Report to the Members of Canadian Hard of Hearing Association Newfoundland and Labrador Chapter Inc. (continued)

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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, NL

Brian T. Scammell Professional Corporation  
Chartered Professional Accountant

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

**Statement of Financial Position**

**March 31, 2019**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 8,761	\$ 8,551
Term deposits	-	53,485
Accounts receivable	8,429	11,355
HST receivable	73,396	67,015
Deposit on land	200,000	300,000
Prepaid expenses	6,392	16,436
	796,978	456,842
<b>TERM DEPOSITS (Note 4)</b>	<b>480,000</b>	<b>556,714</b>
<b>CAPITAL ASSETS (Note 5)</b>	<b>535,136</b>	<b>560,341</b>
	\$ 1,312,114	\$ 1,573,897
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Bank loan (Note 6)	\$ 247,946	\$ 385,782
Accounts payable (Note 7)	81,853	90,335
Deferred revenue (Note 8)	13,282	21,018
Current portion of long term debt (Note 9)	3,155	-
	346,236	497,135
<b>LONG TERM DEBT (Note 9)</b>	<b>46,795</b>	<b>-</b>
	393,031	497,135
<b>NET ASSETS</b>	<b>919,083</b>	<b>1,076,762</b>
	\$ 1,312,114	\$ 1,573,897

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**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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Prep \_\_\_\_\_ Added \_\_\_\_\_ Approved \_\_\_\_\_

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

**Statement of Revenues and Expenses  
Year Ended March 31, 2019**

	2019	2018
<b>REVENUE</b>		
Fundraising (Schedule 1)	\$ 2,161,795	\$ 2,453,703
Programs & Services (Schedule 2)	94,656	48,840
Administration (Schedule 3)	78,527	39,594
	<b>2,334,978</b>	<b>2,542,137</b>
<b>EXPENSES</b>		
Fundraising (Schedule 1)	1,671,951	2,097,559
Programs & Services (Schedule 2)	40,155	491,849
Administration (Schedule 3)	401,541	389,434
	<b>2,492,657</b>	<b>2,978,842</b>
<b>DEFICIENCY OF REVENUE OVER EXPENSES</b>	<b>(157,679)</b>	<b>\$ (436,705)</b>

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CANADIAN HARD OF HEARING ASSOCIATION NEWFOUNDLAND AND LABRADOR  
CHAPTER INC.

Statement of Changes in Net Assets  
Year Ended March 31, 2019

	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 1,076,762	\$ 1,513,467
DEFICIENCY OF REVENUE OVER EXPENSES	(157,679)	(436,705)
NET ASSETS - END OF YEAR	\$ 919,083	\$ 1,076,762

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

**Statement of Cash Flows  
Year Ended March 31, 2019**

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenue over expenses	\$ (157,679)	\$ (436,705)
Item not affecting cash:		
Amortization of capital assets	47,693	55,690
	<b>(109,986)</b>	<b>(381,015)</b>
Changes in non-cash working capital:		
Accounts receivable	2,926	105,720
Accounts payable	(3,484)	33,236
Deferred income	(7,736)	(46,701)
Prepaid expenses	10,044	69,002
Land inventory	100,000	-
HST receivable	(6,381)	(67,015)
Investments	130,199	88,480
	<b>220,568</b>	<b>182,722</b>
Cash flow from (used by) operating activities	<b>110,582</b>	<b>(198,293)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(22,486)	(30,919)
Increase in investments	-	(98,679)
Cash flow used by investing activities	<b>(22,486)</b>	<b>(129,598)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from long term financing	50,000	-
Repayment of long term debt	(50)	-
Cash flow from financing activities	<b>49,950</b>	<b>-</b>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>138,046</b>	<b>(327,891)</b>
Deficiency - beginning of year	<b>(377,231)</b>	<b>(49,340)</b>
<b>DEFICIENCY - END OF YEAR</b>	<b>\$ (239,185)</b>	<b>\$ (377,231)</b>
<b>CASH FLOWS SUPPLEMENTARY INFORMATION</b>		
Interest received	\$ (11,771)	\$ (13,856)
Interest paid	\$ 25,974	\$ 21,470
<b>DEFICIENCY CONSISTS OF:</b>		
Cash	\$ 8,761	\$ 8,551
Bank loan	(247,946)	(385,782)
	<b>\$ (239,185)</b>	<b>\$ (377,231)</b>



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

**Notes to Financial Statements  
Year Ended March 31, 2019**

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**1. PURPOSE OF THE ORGANIZATION**

Canadian Hard of Hearing Association Newfoundland and Labrador Chapter Inc. (the "Organization") is a not-for-profit organization incorporated provincially under the Corporations Act of Newfoundland and Labrador. As a registered charity the Organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Organization is committed to the prevention of hearing loss and the provision of programs and services, based on awareness, accessibility and advocacy services that promote a better quality of life for hard of hearing and late deafened people of all ages and their families in Newfoundland and Labrador.

**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 (ASNFPO).

*Cash and cash equivalents*

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

*Contributed services*

The operations of the organization 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.

*Impairment of Long Lived Assets*

The Organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

*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 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.

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

**Notes to Financial Statements**

**Year Ended March 31, 2019**

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

*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:

Land	N/A
Buildings	4%
Parking areas	8%
Furniture and equipment	20%
Listening equipment	20%
Signs	20%
Computer equipment	55%
Software	100%

The Organization 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.

*Revenue recognition*

Canadian Hard of Hearing Association Newfoundland and Labrador Chapter Inc. 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.

**3. TERM DEPOSITS**

	2019	2018
Term deposit, interest rate of 2.375% matured April 29, 2018	\$ -	\$ 53,485

**4. TERM DEPOSITS**

	2019	2018
Term deposit, interest rate of 2.00% maturing April 25, 2022	\$ 152,164	\$ 152,164
Term deposit, interest rate of 2.250% maturing April 25, 2021	135,437	135,437
Term deposit, interest rate of 2.00% maturing April 12, 2021	65,000	65,000
Term deposit, interest rate of 2.00% maturing February 27, 2022	61,902	61,902
Term deposit, interest rate of 2.30% maturing April 29, 2023	53,485	-
Term deposit, interest rate of 2.30% maturing April 25, 2023	12,012	-
Term deposit, interest rate of 2.375% matured April 25, 2018	-	142,211
	\$ 480,000	\$ 556,714

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

**Notes to Financial Statements  
Year Ended March 31, 2019**

**5. CAPITAL ASSETS**

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	\$ 50,000	\$ -	\$ 50,000	\$ 50,000
Building	669,570	272,670	396,900	413,437
Parking areas	14,830	8,108	6,722	7,307
Signs	33,330	15,359	17,971	22,463
Computer equipment	48,833	46,448	2,385	3,407
Furniture & Equipment	188,479	148,053	40,426	46,579
Listening equipment	46,771	26,039	20,732	4,571
Computer software	32,322	32,322	-	12,577
	<b>\$ 1,084,135</b>	<b>\$ 548,999</b>	<b>535,136</b>	<b>\$ 560,341</b>

**6. CREDIT FACILITY**

The Organization has a credit facility with Newfoundland and Labrador Credit Union Limited which includes an approved operating line of credit that can be drawn upon by a maximum of \$900,000. This line of credit bears interest at 4.950%. The line of credit is secured by real property and term deposits to the amount of \$480,000. At March 31, 2019, the amount owing, which is due on demand, was \$247,946 (2018: \$385,782).

**7. ACCOUNTS PAYABLE**

	2019	2018
Payables relating to operations	\$ 81,398	\$ 74,713
Payroll source deductions payable	455	15,622
	<b>\$ 81,853</b>	<b>\$ 90,335</b>

**8. DEFERRED REVENUE**

Deferred revenue relate to funding received in the current period that is for future expenditures. Changes in this balance are as follows:

	2019	2018
Balance, beginning of the year	\$ 21,018	\$ 67,719
Less: amount recognized as revenue in the year	(21,018)	(67,719)
Add: amount received related to the following year	13,282	21,018
	<b>\$ 13,282</b>	<b>\$ 21,018</b>

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

**Notes to Financial Statements  
Year Ended March 31, 2019**

**9. LONG TERM DEBT**

	2019	2018
Metro Business Opportunities - Social Enterprise unsecured loan bearing interest at 3.7% per annum which commenced on September 1, 2018. There are no payments for the first six months, and for the following six months, payments consist of \$50 interest-free payments. After the first year the loan is repayable in monthly blended payments of \$542. The loan matures on September 1, 2028.	\$ 49,950	\$ -
Amounts payable within one year	<del>(3,155)</del>	-
	\$ 46,795	\$ -

Principal repayment terms are approximately:

2020	3,155
2021	4,858
2022	5,041
2023	5,231
2024	5,427
Thereafter	<u>26,238</u>
	<u>\$ 49,950</u>

**10. FINANCIAL INSTRUMENTS**

The Organization is exposed to various risks through its financial instruments. The following analysis provides information about the Organization's risk exposure and concentration as of March 31, 2019.

*(a) Liquidity risk*

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

*(b) Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Organization is mainly exposed to interest rate risk.

*(c) Interest rate risk*

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 Organization manages exposure through its normal operating and financing activities. The Organization 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 Organization is not exposed to significant other price risks arising from these financial instruments.

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

**Fundraising  
(Schedule 1)**

**Year Ended March 31, 2019**

	2019	2018
<b>REVENUES</b>		
Receipts	\$ 1,453,650	\$ 1,699,900
50/50 draw	639,665	713,139
Lottery management system	68,480	40,664
	<b>2,161,795</b>	<b>2,453,703</b>
<b>EXPENSES</b>		
Prizes	707,124	941,674
Prizes- 50/50 draw	339,833	356,588
Advertising, media costs	212,723	299,546
Wages and salaries	194,881	195,480
Commissions	81,761	90,767
Credit/debit card charges	52,640	56,102
IT & website	41,932	37,346
Printing charges	28,872	36,593
Messaging services	11,958	19,773
Courier & postage	7,261	16,738
Special event costs	3,505	-
Telephone	3,012	5,245
Rent	1,870	8,211
Licenses and fees	1,484	15,151
Insurance	1,034	849
Maintenance	680	1,830
Consultant and professional fees	866	10,597
Interest & bank charges	275	628
Travel	218	643
Miscellaneous	32	1,275
Meeting costs	-	634
Supplies	-	1,889
	<b>1,671,961</b>	<b>2,097,559</b>
<b>INCOME FROM OPERATIONS</b>	<b>\$ 489,834</b>	<b>\$ 356,144</b>

*Draft for discussion purposes only*

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

**Programs & Services  
(Schedule 2)**

**Year Ended March 31, 2019**

	2019	2018
<b>REVENUES</b>		
Projects and grants	\$ 62,618	\$ 20,770
Donations	30,018	15,312
Wage subsidies	1,049	9,936
Fundraising - other	667	2,822
Other	304	-
	<b>94,656</b>	<b>48,840</b>
<b>EXPENSES</b>		
Wages & salaries	284,451	307,004
Consultants & professional fees	26,184	3,970
IT & website	23,232	13,350
Meeting costs	17,835	3,857
Printing charges	16,845	2,915
Travel	16,298	41,434
Scholarships & donations	10,632	21,700
Advertising & promotion	8,845	28,046
Special events	4,247	20,879
Captioning fees	3,129	-
Courier & postage	3,126	3,177
Telephone	1,878	823
Licenses & fees	1,086	3,674
Interest & bank charges	455	477
Rent	451	2,268
Captioning fees	308	1,761
Miscellaneous	153	-
Maintenance	-	70
Human resources	-	32,925
Supplies	-	3,519
	<b>419,155</b>	<b>491,849</b>
<b>LOSS FROM OPERATIONS</b>	<b>\$ (324,499)</b>	<b>\$ (443,009)</b>

*Draft for discussion purposes only*

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

**Administration  
(Schedule 3)**

**Year Ended March 31, 2019**

	2019	2018
<b>REVENUES</b>		
Government assistance	\$ 63,108	\$ 16,252
Interest	10,408	13,336
Wage subsidies	3,002	-
Miscellaneous	1,060	1,520
Donations	949	8,486
	<u>78,527</u>	<u>39,594</u>
<b>EXPENSES</b>		
Wages & benefits	181,338	198,605
Amortization	47,693	55,690
Repairs & maintenance	30,131	27,532
Interest & bank charges	27,002	24,315
Telephone	17,378	8,094
Consulting and professional fees	22,819	18,372
Courier & postage	14,954	4,515
Information technology	13,085	6,831
Travel	10,716	1,458
Utilities	9,185	8,619
Property tax	8,303	8,311
Insurance	6,945	6,248
Equipment rentals	3,651	-
Licenses & fees	3,325	5,317
Captioning fees	3,071	5,461
Office	1,256	8,176
Special events	384	-
Miscellaneous	230	-
Donations	75	200
Meeting costs	-	1,690
	<u>401,541</u>	<u>389,434</u>
<b>LOSS FROM OPERATIONS</b>	<b>\$ (323,014)</b>	<b>\$ (349,840)</b>

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