



Grant Thornton

Financial Statements

The Hearing Foundation of Canada

March 31, 2012

A handwritten signature in black ink, appearing to read "L. J. Green".

**THE HEARING FOUNDATION OF CANADA**  
2012 Financial Statements

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## Independent Auditor's Report

To the Board of Directors of  
The Hearing Foundation of Canada

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We have audited the accompanying financial statements of The Hearing Foundation of Canada, which comprise the statement of financial position as at March 31, 2012, the statements of revenue and expenditures, changes in fund balances and cash flows for the year then ended, and 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 generally accepted accounting principles 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.

### Basis for qualified opinion

In common with many charities, the Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, assets and fund balances.

**Qualified opinion**

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of The Hearing Foundation of Canada as at March 31, 2012, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants, Licensed Public Accountants  
Toronto, Canada  
June 27, 2012



**THE HEARING FOUNDATION OF CANADA**  
**Statement of Financial Position**  
**As at March 31**

	2012	2011
<b>ASSETS</b>		
Current assets		
Cash	\$ 359,994	\$ 307,741
Short-term investments	272,702	240,795
HST receivable	27,410	15,976
Prepaid expenses and other	11,184	11,184
	<u>\$ 671,290</u>	<u>\$ 575,696</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 121,487	\$ 165,503
Deferred contributions (note 4)	106,000	191,000
	<u>227,487</u>	<u>356,503</u>
Fund balances		
Unrestricted	400,753	206,473
ECHO Fund (note 5)	43,050	12,720
	<u>443,803</u>	<u>219,193</u>
	<u>\$ 671,290</u>	<u>\$ 575,696</u>

See accompanying notes

On behalf of the Board:

Director

Director

**THE HEARING FOUNDATION OF CANADA**  
**Statement of Revenue and Expenditures**  
**Year ended March 31**

	2012	2011
Revenue		
Donations	\$ 998,688	\$ 890,389
Bequests	30,330	12,720
Net investment gain	1,577	3,189
	<hr/> 1,030,595	<hr/> 906,298
Expenditures		
Salaries and benefits	333,828	355,648
Professional services	193,138	164,496
Medical research grants	72,500	72,500
Printing	59,662	46,408
Communications	69,386	40,990
Premises	35,655	23,821
Equipment and supplies	24,266	20,082
Fundraising and other	17,550	15,929
Amortization of property and equipment	-	12,004
	<hr/> 805,985	<hr/> 751,878
Excess of revenue over expenditures	<hr/> \$ 224,610	<hr/> \$ 154,420

See accompanying notes

**THE HEARING FOUNDATION OF CANADA**  
**Statement of Changes in Fund Balances**  
**Year ended March 31**

	2012		2011	
	Unrestricted	ECHO Fund (note 5)	Total	Total
Fund balances, beginning of year	\$ 206,473	\$ 12,720	\$ 219,193	\$ 64,773
Excess of revenue over expenditures	194,280	30,330	224,610	154,420
Fund balances, end of year	\$ 400,753	\$ 43,050	\$ 443,803	\$ 219,193

**See accompanying notes**



**THE HEARING FOUNDATION OF CANADA**  
**Statement of Cash Flows**  
**Year ended March 31**

	2012	2011
Operating activities		
Excess of revenue over expenditures	\$ 224,610	\$ 154,420
Items not involving cash		
Deferred contributions - recognized	(650,000)	(493,000)
Net gain on investments	(1,577)	(3,189)
Amortization of property and equipment	-	12,004
	(426,967)	(329,765)
Net change in non-cash working capital items		
HST receivable	(11,434)	(6,541)
Prepaid expenses and other	-	3,571
Accounts payable and accrued liabilities	(44,016)	(33,266)
Deferred contributions - received	565,000	500,000
	509,550	463,764
Cash flows from operating activities	82,583	133,999
Investing activities		
Net change in short-term investments	(30,330)	38,246
Proceeds on sale of property and equipment	-	2,295
Cash flows from investing activities	(30,330)	40,541
Net change in cash during the year	52,253	174,540
Cash, beginning of year	307,741	133,201
Cash, end of year	\$ 359,994	\$ 307,741

See accompanying notes



# THE HEARING FOUNDATION OF CANADA

Notes to Financial Statements

Year ended March 31, 2012

## 1. Mission and purpose

The Hearing Foundation of Canada (the "Foundation") is incorporated without share capital under the Canada Corporations Act. The Foundation is registered with the Canada Revenue Agency as a charitable organization and is exempt from income taxes, provided that certain disbursement criteria and conditions are met.

The Foundation funds medical research, public education and advocacy on issues relating to hearing health. The Foundation is committed to eliminating the devastating effects of hearing loss on the quality of life of Canadians, particularly youth, by promoting prevention, early diagnosis, leading-edge medical research and successful intervention.

## 2. Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, the more significant of which are outlined below.

### Use of estimates

The preparation of the Foundation's financial statements in conformance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from such estimates.

### Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. To the extent that revenue has not been recognized, it has been reflected as deferred contributions. 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.

### Interfund transfers

Transfers between funds occur when the resources of one fund have been authorized to finance activities and acquisitions in another fund.

### Short-term investments

Investments consist of money market fund investments and are recorded at fair market value. The Foundation classifies its investments as held for trading for financial instrument purposes.

### Contributed goods

Contributed goods and capital donations are recorded at fair market value as at the date of contribution.

### Volunteer services

Volunteers provide invaluable donated services to the Foundation. Since volunteer time is not purchased, these contributed services are not recognized in the financial statements.

## THE HEARING FOUNDATION OF CANADA

Notes to Financial Statements

Year ended March 31, 2012

### 2. Summary of significant accounting policies - continued

#### Financial instruments

The Canadian Institute of Chartered Accountants provides a temporary choice for financial instruments disclosure and presentation and the Foundation has chosen to continue to apply Financial Instruments - Disclosure and Presentation, Section 3861 in place of Financial Instruments - Disclosure, Section 3862 and Financial Instruments - Presentation, Section 3863.

The Foundation's financial instruments consist of cash, short-term investments, and accounts payable. The carrying value of these financial instruments approximate fair value due to their short-term maturities.

It is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from the financial instruments.

#### Future accounting standard changes

The Accounting Standards Board has issued new accounting standards for not-for-profit organizations effective for fiscal years beginning on or after January 1, 2012. The Foundation has not yet determined the impact of the new standards on the financial statements.

### 3. Objectives, policies, and processes for managing capital

The Foundation's capital is comprised of the unrestricted fund balance and the ECHO Fund.

The Board of Directors strives to maintain an unrestricted fund balance sufficient to meet the annual working capital requirements, along with the funds required to finance the annual maintenance of property and equipment. After the budget is approved by the Board, it monitors the actual results against the budget.

The ECHO Fund is an internally restricted fund, as described in note 5.

Where the funds are not required in the short term, management, with Board approval, invests their balance. The Foundation invests in money market funds in order to meet its objectives of funding medical research, public education and advocacy on issues relating to hearing health.

### 4. Deferred contributions

	2012			
	Infant/Child Publications	Medical Research	Sound Sense	Total
Balance, beginning of year	\$ 42,000	\$ 16,000	\$ 133,000	\$ 191,000
Funds received	90,000	103,000	372,000	565,000
Less: revenue recognized during the year	(107,000)	(86,000)	(457,000)	(650,000)
Balance, end of year	\$ 25,000	\$ 33,000	\$ 48,000	\$ 106,000



# THE HEARING FOUNDATION OF CANADA

Notes to Financial Statements

Year ended March 31, 2012

## 4. Deferred contributions - continued

	2011				
	Development	Infant/Child Publications	Medical Research	Sound Sense	Total
Balance, beginning of year	\$ 5,000	\$ 45,000	\$ 16,000	\$ 118,000	\$ 184,000
Funds received	-	90,000	80,000	330,000	500,000
Less: revenue recognized during the year	(5,000)	(93,000)	(80,000)	(315,000)	(493,000)
Balance, end of year	\$ -	\$ 42,000	\$ 16,000	\$ 133,000	\$ 191,000

## 5. ECHO Fund

In 1997, the Foundation established the ECHO Fund to support the services of the Foundation. The ECHO Fund holds all undesignated bequests and is not available for use by the Foundation without prior approval of the Board of Directors. The annual investment income earned on the funds is reinvested in the ECHO Fund.

## 6. Commitments

The Foundation is committed under a lease for office space until March 31, 2013. Under the terms of the agreement, the Foundation is required to make total minimum payments of \$26,700 for the fiscal year.