



Grant Thornton

Financial Statements

The Hearing Foundation of Canada

March 31, 2013

Signed
Audited
Financials
for
FY13.

THE HEARING FOUNDATION OF CANADA
2013 Financial Statements

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Independent Auditor's Report

To the Board of Directors of
The Hearing Foundation of Canada

Grant Thornton LLP
Suite 200
41 Valleybrook Drive
Toronto, ON
M3B 2S6
T +1 416 449 9171
F +1 416 449 7401
E NorthToronto@ca.gt.com
www.GrantThornton.ca

We have audited the accompanying financial statements of The Hearing Foundation of Canada, which comprise the statement of financial position as at March 31, 2013 and 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 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.

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, the financial statements present fairly, except for the possible effects of the matter described in the *Basis for qualified opinion* paragraph, the financial position of The Hearing Foundation of Canada as at March 31, 2013 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.

Comparative information

Without modifying our opinion we draw attention to Note 3 to the financial statements which describes that The Hearing Foundation of Canada adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at March 31, 2012 and April 1, 2011, and the statements of revenue and expenditures, changes in fund balances and cash flows for the year ended March 31, 2012. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Grant Thornton LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
June 26, 2013

THE HEARING FOUNDATION OF CANADA
Statement of Financial Position

	As at March 31, 2013	As at March 31, 2012 (unaudited)	As at April 1, 2011 (unaudited)
ASSETS			
Current assets			
Cash	\$ 551,196	\$ 359,994	\$ 307,741
Short-term investments	333,775	272,702	240,795
Harmonized Sales Taxes receivable	21,012	27,410	15,976
Prepaid expenses and other	11,184	11,184	11,184
	<u>\$ 917,167</u>	<u>\$ 671,290</u>	<u>\$ 575,696</u>
LIABILITIES AND FUND BALANCES			
Current liabilities			
Accounts payable and accrued liabilities (note 4)	\$ 37,652	\$ 121,487	\$ 165,503
Deferred contributions (note 5)	320,000	106,000	191,000
	<u>357,652</u>	<u>227,487</u>	<u>356,503</u>
Fund balances			
Unrestricted	225,740	400,753	206,473
ECHO Fund (note 6)	333,775	43,050	12,720
	<u>559,515</u>	<u>443,803</u>	<u>219,193</u>
	<u>\$ 917,167</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

	2013	2012 (unaudited)
Revenue		
Donations	\$ 785,834	\$ 998,688
Bequests	58,460	30,330
Net investment gain	2,613	1,577
	<hr/> 846,907	<hr/> 1,030,595
Expenditures		
Salaries and benefits	332,253	333,828
Professional services	167,699	193,138
Medical research grants	77,500	72,500
Communications	42,459	69,386
Premises	35,169	35,655
Printing	34,534	59,662
Equipment and supplies	25,147	24,266
Fundraising and other	16,434	17,550
	<hr/> 731,195	<hr/> 805,985
Excess of revenue over expenditures	<hr/> \$ 115,712	<hr/> \$ 224,610

See accompanying notes

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

	Unrestricted	ECHO Fund (note 6)	2013 Total	2012 Total (unaudited)
Fund balances, beginning of year	\$ 400,753	\$ 43,050	\$ 443,803	\$ 219,193
Excess of revenue over expenditures	57,252	58,460	115,712	224,610
Inter-fund transfer	(232,265)	232,265	-	-
Fund balances, end of year	<u>\$ 225,740</u>	<u>\$ 333,775</u>	<u>\$ 559,515</u>	<u>\$ 443,803</u>

See accompanying notes

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

	2013	2012 (unaudited)
Operating activities		
Excess of revenue over expenditures	\$ 115,712	\$ 224,610
Items not involving cash		
Deferred contributions - recognized (note 5)	(488,000)	(650,000)
Net gain on investments	(2,613)	(1,577)
	<u>(374,901)</u>	<u>(426,967)</u>
Net change in non-cash working capital items		
Harmonized Sales Taxes receivable	6,398	(11,434)
Prepaid expenses and other	-	-
Accounts payable and accrued liabilities	(83,835)	(44,016)
Deferred contributions - received (note 5)	702,000	565,000
	<u>624,563</u>	<u>509,550</u>
Cash flows from operating activities	<u>249,662</u>	<u>82,583</u>
Investing activities		
Purchases of short-term investments and cash flows from investing activities	(58,460)	(30,330)
Net change in cash during the year	191,202	52,253
Cash, beginning of year	359,994	307,741
Cash, end of year	<u>\$ 551,196</u>	<u>\$ 359,994</u>

See accompanying notes

THE HEARING FOUNDATION OF CANADA
Notes to Financial Statements
Year ended March 31, 2013

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 accounting standards for not-for-profit organizations (ASNPO), the more significant of which are outlined below.

Use of estimates

The preparation of the Foundation's financial statements in conformance with ASNPO 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 statement of financial position 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 restricted 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.

Subsequent to year end, the Foundation changed its revenue recognition methodology for restricted contributions, excluding those for medical research grants, to be recognized as revenue on a quarterly basis over the length of one calendar year to achieve better matching of revenue recognition in the period when related expenditures are incurred. This change did not result in a material difference in the deferred revenue balance as at March 31, 2013, and as a result, was not applied on a retrospective basis.

Short-term investments

Short-term investments consist of money market fund investments and are recorded at fair market value.

Contributed goods

Contributed goods and capital donations are recorded at fair market value as at the date of contribution, if their fair value can be determined.

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, 2013

2. Summary of significant accounting policies - continued

Financial instruments

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

3. First-time adoption of accounting standards for not-for-profit organizations

These financial statements are the first financial statements for which the Foundation has applied ASNPO. Comparative period information was prepared in accordance with ASNPO and the provisions set out in Section 1501 of the CICA Handbook - First-time adoption by not-for-profit organizations.

The date of transition to ASNPO is April 1, 2011. The Foundation's transition from Canadian Generally Accepted Accounting Principles ("previous GAAP") to ASNPO has had no impact on the opening fund balances as at April 1, 2011 or the statements of revenue and expenditures or cash flows for the year ended March 31, 2012. As a result, the reconciliations and disclosures required by Section 1501, First-time adoption for not-for-profit organizations, for the fund balances at the transition date, and the comparative period statements of revenue and expenditures and cash flows are not necessary and have not been presented in these financial statement notes.

The statements of financial position as at March 31, 2012 and April 1, 2011, and the statements of revenue and expenditures, changes in fund balances and cash flows for the year ended March 31, 2012, were audited under the previous GAAP framework. They have not been audited under the ASNPO framework and, accordingly, are required to be designated as unaudited.

4. Accounts payable and accrued liabilities

Total government remittances payable as at March 31, 2013 is \$9,839 (2012 - \$10,073; 2011 - \$10,631).

5. Deferred contributions

	Infant/Child Publications	Medical Research	Sound Sense	2013 Total	2012 Total (unaudited)
Balance, beginning of year	\$ 25,000	\$ 33,000	\$ 48,000	\$ 106,000	\$ 191,000
Funds received	93,000	117,000	492,000	702,000	565,000
Less: revenue recognized during the year	(73,000)	(89,000)	(326,000)	(488,000)	(650,000)
Balance, end of year	\$ 45,000	\$ 61,000	\$ 214,000	\$ 320,000	\$ 106,000

THE HEARING FOUNDATION OF CANADA
Notes to Financial Statements
Year ended March 31, 2013

6. 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.

7. Commitments

The Foundation is committed to total minimum annual lease payments for office premises until fiscal 2015 as follows:

2014	\$ 25,200
2015	28,800

8. Financial instruments

Transactions in financial instruments may result in the Foundation assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments.

Credit risk

The Foundation is exposed to concentration risk in that its cash balances held with financial institutions are in excess of Canadian Deposit Insurance Corporation limits.

Interest rate risk

Interest rate risk is the risk that the fair value (price risk) or future cash flows of a financial instrument will fluctuate because of changes in market interest rates (cash flow risk). The Foundation is exposed to price risk with respect to its short-term investments.

Currency risk

Currency risk is the risk arising from the change in price of one currency against another. The Foundation is not exposed to significant currency risk.

Liquidity risk

The Foundation's liquidity risk represents the risk that the Foundation could encounter difficulty in meeting obligations associated with its financial liabilities. The Foundation is not exposed to significant liquidity risk due to its strong working capital position.