

**SASKATCHEWAN DEAF AND HARD OF HEARING SERVICES
INC.**

**Financial Statements
Year Ended March 31, 2018**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Saskatchewan Deaf and Hard of Hearing Services Inc. have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Saskatchewan Deaf and Hard of Hearing Services Inc.'s reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board meets periodically with management and the Organization's auditors to review significant accounting, reporting and internal control matters. Upon their review the Board approves the financial statements and also considers and approves the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the Organization by MWC Chartered Professional Accountants LLP, in accordance with Canadian generally accepted auditing standards.



Executive Director



President

Saskatoon, SK
May 11, 2018



Chartered Professional
Accountants LLP

INDEPENDENT AUDITOR'S REPORT

To the Members of Saskatchewan Deaf and Hard of Hearing Services Inc.

We have audited the accompanying financial statements of Saskatchewan Deaf and Hard of Hearing Services Inc., which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets and cash flow 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.

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An asset to our clients, not an expense

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Independent Auditor's Report to the Members of Saskatchewan Deaf and Hard of Hearing Services Inc.
(continued)

Basis for Qualified Opinion

In common with many charitable organizations, the Organization is unable to economically implement controls that will offer assurance on the completeness of revenue from sources other than grants, fees and sales and we are unable to satisfy ourselves on amounts reported using other procedures. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues (expenses), current assets and net assets.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Deaf and Hard of Hearing Services Inc. as at March 31, 2018 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

MWC LLP

Chartered Professional Accountants

Regina, Saskatchewan
May 11, 2018

SASKATCHEWAN DEAF AND HARD OF HEARING SERVICES INC.

Statement of Financial Position

March 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 170,833	\$ 257,258
Restricted fund investments (Note 3)	216,692	116,426
Accounts receivable	80,889	50,941
Inventory (Note 4)	13,183	5,570
Goods and services tax recoverable	5,329	4,831
Prepaid expenses	5,428	5,281
	<u>492,354</u>	<u>440,307</u>
CAPITAL ASSETS (Note 5)	<u>18,746</u>	<u>20,845</u>
	<u>\$ 511,100</u>	<u>\$ 461,152</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 24,076	\$ 39,146
Wages payable	34,691	16,968
Deferred revenue (Note 7)	73,382	68,017
	<u>132,149</u>	<u>124,131</u>
NET ASSETS		
Unrestricted fund	162,259	220,595
Restricted fund	216,692	116,426
	<u>378,951</u>	<u>337,021</u>
	<u>\$ 511,100</u>	<u>\$ 461,152</u>

CONTINGENT LIABILITY (Note 11)

LEASE COMMITMENTS (Note 12)

ON BEHALF OF THE BOARD

Director

Director

See accompanying notes

SASKATCHEWAN DEAF AND HARD OF HEARING SERVICES INC.

Statement of Operations Year Ended March 31, 2018

	2018	2017
REVENUES		
Grants <i>(Schedule 1)</i>	\$ 695,020	\$ 782,891
Fees and sales <i>(Schedule 2)</i>	171,226	177,097
Other revenues <i>(Schedule 3)</i>	151,394	123,916
	1,017,640	1,083,904
EXPENSES		
Amortization	5,099	6,336
Assistive device purchases	8,662	22,896
Bad debts	4,560	2,785
Board	2,224	445
Education and conference	27,139	20,265
Education materials and publicity	6,870	3,237
Freelance interpreting and support services	17,943	27,626
Fundraising	4,837	3,071
General and administrative	13,905	29,503
Hearing aid battery purchases	3,296	3,714
Office	26,881	30,631
Professional fees	7,357	6,611
Raise-a-reader program	1,400	-
Rent	92,490	91,488
Salaries and benefits	391,328	308,382
Supplies	5,936	7,402
Travel	21,631	20,036
	641,558	584,428
EXCESS OF REVENUES (EXPENSES) FROM OPERATIONS	376,082	499,476
PROGRAMMING AND OTHER EXPENSES		
CanSask Workforce Development program	288,871	292,399
Early Childhood and Family Services program	45,281	50,471
	334,152	342,870
EXCESS OF REVENUES (EXPENSES)	\$ 41,930	\$ 156,606

See accompanying notes

SASKATCHEWAN DEAF AND HARD OF HEARING SERVICES INC.

Statement of Changes in Net Assets

Year Ended March 31, 2018

	Unrestricted Fund	Restricted Fund	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 220,595	\$ 116,426	\$ 337,021	\$ 180,415
EXCESS OF REVENUES (EXPENSES)	41,433	497	41,930	156,606
BOARD TRANSFER <i>(Note 10)</i>	(99,769)	99,769	-	-
NET ASSETS - END OF YEAR	\$ 162,259	\$ 216,692	\$ 378,951	\$ 337,021

See accompanying notes

SASKATCHEWAN DEAF AND HARD OF HEARING SERVICES INC.

Statement of Cash Flow Year Ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenues (expenses)	\$ 41,930	\$ 156,606
Items not affecting cash:		
Amortization of capital assets	5,099	6,336
Reinvested earnings on investments	(497)	(145)
	46,532	162,797
Changes in non-cash working capital:		
Accounts receivable	(29,948)	(17,769)
Inventory	(7,613)	(2,353)
Accounts payable	(15,070)	(12,759)
Deferred revenue	5,365	(38,422)
Prepaid expenses	(147)	(1,078)
Goods and services tax payable	(498)	(320)
Wages payable	17,723	(6,974)
	(30,188)	(79,675)
Cash flow from operating activities	16,344	83,122
INVESTING ACTIVITIES		
Purchase of capital assets	(3,000)	(14,416)
Purchase of investments	(150,000)	(66,195)
Proceeds on redemption of investments	50,231	-
Cash flow used by investing activities	(102,769)	(80,611)
INCREASE (DECREASE) IN CASH FLOW	(86,425)	2,511
CASH - BEGINNING OF YEAR	257,258	254,747
CASH - END OF YEAR	\$ 170,833	\$ 257,258

See accompanying notes

SASKATCHEWAN DEAF AND HARD OF HEARING SERVICES INC.

Notes to Financial Statements

Year Ended March 31, 2018

1. NATURE OF OPERATIONS

Saskatchewan Deaf and Hard of Hearing Services Inc. ("SDHHS" or the "Organization"), is a bilingual, bi-cultural, non-profit organization whose mission is to promote the independence of the deaf, late deafened, and hard of hearing persons by providing services that enhance their quality of life.

SDHHS is incorporated under the Non-Profit Corporations Act as a not-for-profit organization and is a registered charity under the *Income Tax Act* and is exempt from income taxes.

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).

Revenue recognition

The Organization follows the deferral method of accounting for contributions which includes grants, donations, memberships, and sponsorships. Restricted contributions are recognized as revenue in the year the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Revenue from fees, registrations, and sales are recognized when the service is provided.

Fund accounting

The Organization uses fund accounting and has the following funds:

Unrestricted Fund

The unrestricted fund reports the results of the day-to-day operating activities of the SDHHS.

Restricted Fund

SDHHS appropriates certain amounts from unrestricted net assets to provide for capital asset replacements and for an operational reserve in the event a change in funding or operations occurs. From time to time, SDHHS also makes appropriations to provide for special projects as approved by the Board of Directors

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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SASKATCHEWAN DEAF AND HARD OF HEARING SERVICES INC.

Notes to Financial Statements

Year Ended March 31, 2018

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

Financial instruments policy

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.

Financial assets including cash, restricted fund investments and receivables are reported at amortized cost.

Financial liabilities including accounts payable and accrued liabilities are measured at amortized cost.

Capital assets

Capital assets are stated at cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods. In the year of acquisition one half of the stated rate is used.

Equipment	20%	declining balance method
Computer equipment	30%	declining balance method

Contributed services

Volunteers contribute many hours per year to assist SDHHS in carrying out its service delivery activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Employee future benefits

The Organization has a defined contribution pension plan where the Organization and its employees contribute an identified amount to the plan annually. Amounts due to the plan are settled as they come due and there is no further obligation to report.

SASKATCHEWAN DEAF AND HARD OF HEARING SERVICES INC.

Notes to Financial Statements

Year Ended March 31, 2018

3. RESTRICTED FUND INVESTMENTS

	2018	2017
Term deposit bearing interest at 1.15%, matures on May 26, 2018	\$ 50,000	\$ -
Term deposit bearing interest at 1.15%, matures on July 4, 2018	100,000	-
Term deposit bearing interest at 1.50%, matures on October 23, 2018	66,692	-
Term deposit bearing interest at 0.75%, matures in October 2017	-	66,195
Term deposit bearing interest at 0.75%, matures in January 2018	-	50,231
	\$ 216,692	\$ 116,426

4. INVENTORY

	2018	2017
Hearing aid batteries	\$ 1,224	\$ 1,457
Signing time kits	2,100	1,079
Assistive devices	1,278	-
ASL textbooks	8,581	3,034
	\$ 13,183	\$ 5,570

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Equipment	\$ 37,091	\$ 22,755	\$ 14,336	\$ 14,545
Computer equipment	12,857	8,447	4,410	6,300
	\$ 49,948	\$ 31,202	\$ 18,746	\$ 20,845

6. LINE OF CREDIT

The Organization has a \$32,000 line of credit of which \$Nil (2017 - \$Nil) has been drawn upon at year end. The line of credit bears interest at prime plus 2% and is secured by a general security agreement and an assignment of all provincial grants. As at March 31, 2018, Conexus Credit Union prime was 2.45%.

SASKATCHEWAN DEAF AND HARD OF HEARING SERVICES INC.

Notes to Financial Statements

Year Ended March 31, 2018

7. DEFERRED REVENUE

	2018	2017
Ministry of the Economy - CanSask Workforce Development	\$ 53,718	\$ 44,954
Youth conference	10,311	20,126
ASL class registration fees	2,173	2,937
Capital donation	2,700	-
Regina leisure services	4,480	-
	<u>\$ 73,382</u>	<u>\$ 68,017</u>

8. EMPLOYEE BENEFITS PLAN

The SDHHS has a defined contribution pension plan. During the year, employer contributions totaled \$21,331 (2017 - \$19,428).

9. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments and management is responsible to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of March 31, 2018.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Organization has a significant number of customers which minimizes concentration of credit risk. In addition, the majority of the organization's funding and revenue sources come from Government organizations. The likelihood of default from these organizations is considered to be low.

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 customers and other related sources, contributions to the pension plan, line of credit and accounts payable.

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.

SASKATCHEWAN DEAF AND HARD OF HEARING SERVICES INC.

Notes to Financial Statements

Year Ended March 31, 2018

10. BOARD TRANSFER

During the year an additional \$99,769 was invested and transferred to the Restricted Fund.

11. CONTINGENT LIABILITY

The Organization receives grant funding from various source that span the Organization's fiscal yearend. The Organization is required to submit funding reports at the end of the funding period which are reviewed by the granting agency and can result in the requirement to repay funding which is unused or disallowed. Any repayment is recorded in the year the Organization is informed by the funding agency.

12. COMMITMENTS

The SDHHS has lease commitments related to rental of premises in the Regina and Saskatoon offices. Rental commitments for Regina; \$2,756 per month expiring February 2019 and for Saskatoon; \$2,150 plus occupancy costs per month up to July 2020, increasing to \$2,250 plus occupancy costs until the lease expires in July 2022.

In addition, the Organization has a lease agreement related to the rental of office equipment and makes quarterly payments of \$517 on this agreement. The agreement expires in July 2018.

13. CORRESPONDING FIGURES

Some of the corresponding figures have been reclassified to conform to the current year's presentation. There was no change in the previously reported total of assets, liabilities, net assets, as at March 31, 2018 or on the total of revenues, expenses or excess of revenue (expense) for the year then ended as a result of the presentation reclassification.

SASKATCHEWAN DEAF AND HARD OF HEARING SERVICES INC.

Grants

(Schedule 1)

Year Ended March 31, 2018

	2018	2017
Ministry of Social Services grant	\$ 358,243	\$ 358,243
Ministry of the Economy grant	299,030	321,081
- CanSask Workforce Development	15,500	82,080
Early Childhood and Family Services grants	10,967	6,712
HRDC - Summer Student grant	8,280	5,495
City grants	1,500	-
Raise a Reader grant	1,500	9,280
SaskCulture grant	1,500	9,280
	\$ 695,020	\$ 782,891

Fees and Sales

(Schedule 2)

Year Ended March 31, 2018

	2018	2017
Interpreting service fees	\$ 150,046	\$ 134,482
Assistive device sales	10,319	29,528
Hearing aid battery sales	5,718	7,061
Computerized notetaking fees	5,143	6,026
	\$ 171,226	\$ 177,097

Other Revenues

(Schedule 3)

Year Ended March 31, 2018

	2018	2017
ASL class registrations and textbooks	\$ 44,287	\$ 36,063
Conference registrations and donations	38,754	23,325
Donations	19,317	22,204
Fundraising ticket sales	16,284	19,573
Early Childhood and Family Services sponsorships	15,389	3,350
Recovery of travel expenses	13,782	6,709
Miscellaneous	1,931	827
Dakota Dunes sponsorship	1,000	-
Memberships	650	645
Consulting	-	11,220
	\$ 151,394	\$ 123,916

See accompanying notes