Agenda Item #6.1

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NON-CONSOLIDATED FINANCIAL STATEMENTS

WESTERN INSTITUTE FOR THE DEAF AND HARD OF HEARING (dba WAVEFRONT CENTRE FOR COMMUNICATION ACCESSIBILITY)

December 31, 2019

Limited Liability Partnership

Tompkins Wozny
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of
Western Institute for the Deaf and Hard of Hearing (dba Wavefront Centre for Communication Accessibility)

Qualified Opinion

We have audited the non-consolidated financial statements of the Western Institute for the Deaf and Hard of Hearing (dba Wavefront Centre for Communication Accessibility) (the "Society"), which comprise the non-consolidated statement of financial position as at December 31, 2019, and the non-consolidated statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of the report, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Society as at December 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 Society derives revenue from donations, bequests and gifts, 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 Society. Therefore, we were not able to determine whether any adjustments might be necessary to donations, bequests and gifts revenue, revenue over expenses, and cash flows from operations for the year ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018, and net assets as at January 1 and December 31 for both the 2019 and 2018 years.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements, management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 our 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 non-consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

INDEPENDENT AUDITOR'S REPORT

• Identify and assess the risks of material misstatement of the non-consolidated 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 our 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 Society'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 Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society 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.

We 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 we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the British Columbia Societies Act, we report that the accounting principles used in these non-consolidated financial statements have been applied on a basis consistent with that of the preceding year.

Tompkins Wozny LLP

Vancouver, Canada
June 4, 2020

Chartered Professional Accountants

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

	2019 $	2018 $
ASSETS		
Current		
Cash	**816,861**	437,488
Short-term investments *[note 3]*	**1,680,756**	1,533,161
Accounts receivable *[note 4]*	**787,389**	834,349
Inventory	**154,611**	155,030
Prepaid expenses	**32,106**	20,445
Total current assets	**3,471,723**	2,980,473
Investment in subsidiary company, at cost *[note 5(i)]*	**5,420,352**	—
Due from subsidiary company, no specific terms *[note 21]*	**7,395,183**	—
Deposit on purchase of shares *[note 5(i)]*	**—**	1,500,000
Deferred costs *[note 5(i)]*	**—**	251,406
Capital assets *[note 6]*	**4,155,405**	249,016
	20,442,663	4,980,895
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accruals *[note 7]*	**917,709**	481,298
Deferred revenue	**68,120**	196,196
Bank loan *[note 8]*	**8,273,513**	—
Total current liabilities	**9,259,342**	677,494
Deposit on sale of property *[note 5(ii)]*	**—**	955,200
Deferred contributions related to capital assets *[note 9(i)]*	**2,383,299**	1,882,172
Deferred contributions related to programs and research *[note 9(ii)]*	**35,877**	4,410
Total liabilities	**11,678,518**	3,519,276
Net assets		
Invested in capital assets	**1,772,106**	249,016
Internally restricted *[note 10]*	**739,352**	739,352
Unrestricted	**6,252,687**	473,251
Total net assets	**8,764,145**	1,461,619
	20,442,663	4,980,895

Lease commitments *[note 20]*

Subsequent events *[note 22]*

See accompanying notes to the financial statements

On behalf of the Board:

Director

Director

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	Invested in Capital Assets $	Internally Restricted $	Unrestricted $	Total $
		[note 10]		
2019				
Balance, beginning of year	**249,016**	**739,352**	**473,251**	**1,461,619**
Revenue over (under) expenses	**(116,740)**	**—**	**7,419,266**	**7,302,526**
Investment in capital assets	**4,046,564**	**—**	**(4,046,564)**	**—**
Capital assets acquired with restricted contributions	**(2,406,734)**	**—**	**2,406,734**	**—**
Balance, end of year	**1,772,106**	**739,352**	**6,252,687**	**8,764,145**
2018				
Balance, beginning of year	126,139	739,352	492,413	1,357,904
Revenue over (under) expenses	(69,383)	—	173,098	103,715
Investment in capital assets	192,260	—	(192,260)	—
Balance, end of year	249,016	739,352	473,251	1,461,619

See accompanying notes to the financial statements

NON-CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31

	2019 $	2018 $
REVENUE		
Grants, donations, bequests and gifts		
Province of British Columbia *[note 11]*	**91,548**	91,548
United Way	**70,250**	59,750
Other grants	**167,917**	104,929
Donations, bequests and gifts *[note 13]*	**117,904**	41,207
	447,619	297,434
Earned income		
Sales of hearing aids/technical equipment	**3,428,637**	3,360,620
Cost of sales	**1,274,946**	1,306,067
Gross profit	**2,153,691**	2,054,553
Interpreting revenue *[note 19]*	**1,830,110**	1,774,362
Total earned income	**3,983,801**	3,828,915
Other income		
Gaming	**125,000**	125,000
Fundraising	**—**	5,330
Endowment revenues - Vancouver Foundation *[note 12]*	**16,749**	16,136
- Anderson Fund *[note 12]*	**1,607**	9,551
- Rene Charbin Fund *[note 12]*	**21,461**	20,678
Investment income *[note 14]*	**117,742**	5,603
Amortization of deferred contributions related to capital assets *[note 9]*	**23,435**	—
Expense recoveries and other income	**6,313**	10,793
Total net revenue	**4,743,727**	4,319,440
EXPENSES		
Amortization of capital assets	**140,175**	69,383
Building occupancy	**315,917**	230,596
Fundraising	**109,490**	124,818
Interpreting	**1,054,802**	976,948
Loan interest and commitment fee	**266,295**	—
Office and general *[schedule]*	**503,712**	358,896
Publicity and public education	**114,930**	86,564
Salaries, employee benefits and contract services *[note 18]*	**2,542,263**	2,338,335
Transportation	**21,885**	30,185
Total expenses	**5,069,469**	4,215,725
Revenue over (under) expenses for the year before other item	**(325,742)**	103,715
Gain on sale of of property - West 7th Avenue *[note 5(ii)]*	**7,628,268**	—
Revenue over expenses for the year	**7,302,526**	103,715

See accompanying notes to the financial statements

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31

	2019 $	2018 $
OPERATING ACTIVITIES		
Revenue over expenses for the year	**7,302,526**	103,715
Items not affecting cash		
Amortization of capital assets	**140,175**	69,383
Amortization of deferred contributions related to capital assets	**(23,435)**	—
Decrease (increase) in market value of short-term investments, net	**(58,070)**	26,928
Gain on sale of of property - West 7th Avenue	**(7,628,268)**	—
Changes in non-cash working capital items		
Accounts receivable	**46,960**	(309,434)
Inventory	**419**	(26,744)
Prepaid expenses	**(11,661)**	10,330
Accounts payable and accruals	**436,411**	(24,682)
Deferred revenue	**(128,076)**	(103,017)
Cash provided by (used in) operating activities	**76,981**	(253,521)
INVESTING ACTIVITIES		
Acquisition of capital assets	**(4,046,564)**	(192,260)
Due from subsidiary company	**(7,395,183)**	—
Investment in subsidiary company	**(3,733,044)**	—
Proceeds on sale of property - West 7th Avenue, net of expenses	**6,737,166**	—
Deposit paid on purchase of shares	**—**	(1,500,000)
Deposit received on sale of property	**—**	955,200
Deferred costs - building	**—**	(93,986)
Deferred contributions	**556,029**	1,129,799
Purchase of short-term investments (net)	**(89,525)**	(118,353)
Cash provided by (used in) investing activities	**(7,971,121)**	180,400
FINANCING ACTIVITIES		
Proceeds on bank loan	**8,273,513**	—
Cash provided by financing activities	**8,273,513**	—
Increase (decrease) in cash during the year	**379,373**	(73,121)
Cash, beginning of year	**437,488**	510,609
Cash, end of year	**816,861**	437,488

See accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

1. NATURE OF OPERATIONS AND NAME CHANGE

On July 23, 2019, the Western Institute for the Deaf and Hard of Hearing (the "Society") changed its operating name to Wavefront Centre for Communication Accessibility to better represent the Society. The legal name of the Society remains to be Western Institute for the Deaf and Hard of Hearing.

The Society is a not-for-profit organization and registered charity incorporated in 1956 pursuant to the British Columbia Societies Act. The Society is exempt from income taxes. The Society provides services to the deaf and hard of hearing of British Columbia and to help everyone achieve communication accessibility.

The work of the Society is supported financially by funding from municipal, provincial and federal governments, as well as from the United Way, private donations, fees for services and sales of hearing aids/technical equipment.

2. SIGNIFICANT ACCOUNTING POLICIES

The non-consolidated financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

Investment in 2005 Q Street Properties Ltd.

Investment in wholly-owned subsidiary, 2005 Q Street Properties Ltd. (“Q-Street”), is recorded on a cost basis.

Use of Estimates

The preparation of financial statements in conformity with Canadian ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the year. Significant areas requiring the use of management estimates relate to the valuation allowances for accounts receivable, the determination of net recoverable value of assets, in particular as it relates to the useful lives of capital assets and the determination of the deferred portion of grants received. Actual results could differ from these estimates.

Revenue Recognition

The Society 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, except for donations, gifts and bequests, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (Cont'd)

Donations, gifts and bequests are recorded on a cash basis. Donations in kind are recorded as revenue at the time received and are recorded at fair value, if independent evidence is available to support the fair value.

Revenue from sales of hearing aids and technical equipment is recognized when title to the goods is transferred to the customer.

Revenue from fees for service is recognized when the service is provided.

Contributed Services

Volunteers contribute time to assist the Society in its operations. However, because of the difficulty associated with determining the fair value of these services, they are not recognized in the financial statements.

Measurement of Financial Instruments

The Society initially measures its financial assets and financial liabilities at fair value.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial assets measured at fair value include short-term investments.

Financial liabilities measured at amortized cost include accounts payable and bank loan.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Short-Term Investments

The high interest savings account is recorded at amortized cost. All other short-term investments are recorded at market value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Inventory

Inventory consists of purchased goods held for resale and is valued at the lower of cost and net realizable value.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the assets' estimated useful lives *[note 6]* .

Interest, finance charges and property taxes were capitalized to the building until the building was occupied by the Society on October 1, 2019.

Amortization of Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets consists of grants and other donations received that are restricted for building costs.

Amortization of deferred contributions related to capital assets is recognized as revenue on a straight-line basis over the estimate useful life of the building *[note 6]* .

Pension Plan

The Society participates in a multi-employer defined benefit pension plan ("Pension Plan") with the United Way and certain of its funded agencies. Defined contribution plan accounting is applied to multi-employer defined benefit plans and accordingly, pension contributions are expensed as the actuary does not attribute portions of the unfunded liability, if any, to individual employers.

All full time employees of the Society who have attained the age of 25 must join the Pension Plan after completing one year of employment.

3. SHORT-TERM INVESTMENTS

Short-term investments consist of:

	2019	**2018**
	$	**$**
High interest savings and term deposits	**814,632**	752,038
Mutual funds - bond, income and equity	**866,124**	781,123
	1,680,756	1,533,161

Interest rates on the term deposits are 2.20% [2018 - 2.37%] with maturities ranging from six to ten months.

The cost of the investments at December 31, 2019 is $1,584,838 [2018 - $1,495,312].

4. ACCOUNTS RECEIVABLE

	2019 $	2018 $
Trades and other	**734,996**	832,215
Allowance for doubtful accounts	**(2,000)**	(2,000)
	732,996	830,215
Government - GST	**54,393**	4,134
	787,389	834,349

5. INVESTMENT IN SUBSIDIARY

i) Purchase of shares

On March 29, 2019, the Society completed a purchase and sale agreement to acquire all the issued shares of Q-Street. In 2018, as part of the agreement, the Society made a $1,500,000 deposit as required.

The Society acquired 100% of the Q-Street shares for $5,420,352 and paid off $7,381,528 in debt of Q-Street. Q-Street owns the property at 2005 Quebec Street, Vancouver, B.C. and the property is used for the Society's operations.

This purchase was financed by a $9,000,000 variable rate business loan *[note 8]* . The term of this credit facility is for nine months and then it was converted to a fixed rate term loan subsequent to the year-end *[note 22(i)]*.

The pre-acquisition costs relating to the investment incurred to December 31, 2018, in the amount of $227,646, have been added to the cost of the investment as the share purchase relates to the acquisition of the property.

ii) Sale of property - West 7th Avenue, Vancouver, B.C.

Concurrently, in 2018, the Society entered into a second purchase and sale agreement to sell its land and building on West 7th Avenue, Vancouver, B.C. *[note 6]* . This resulted in a gain on sale of $7,628,268 in 2019.

As part of the agreement, the Society received a deposit of $955,200 during 2018. The agreement also includes a provision whereby the Society can lease back its current property for up to six months for $1 per month plus the applicable operating costs.

6. CAPITAL ASSETS

	Rate	Cost $	Accumulated Amortization $	Net Book Value $
2019				
Building - 2005 Quebec Street, Vancouver	**25 yrs**	**3,275,801**	**32,385**	**3,243,416**
Leasehold improvements	**5 yrs**	**145,533**	**101,960**	**43,573**
Furniture and equipment	**5 yrs**	**312,463**	**97,426**	**215,037**
Audio assessment equipment	**5 yrs**	**953,715**	**411,690**	**542,025**
Computer equipment	**3 yrs**	**274,784**	**235,610**	**39,174**
Computer software	**3 yrs**	**79,998**	**79,998**	**—**
Website	**5 yrs**	**57,500**	**53,648**	**3,852**
Artwork	**—**	**68,328**	**—**	**68,328**
		5,168,122	**1,012,717**	**4,155,405**
2018				
Land - West 7th Avenue, Vancouver	—	62,166	—	62,166
Building - West 7th Avenue, Vancouver	40 yrs	185,723	183,767	1,956
Leasehold improvements	5 yrs	145,533	87,436	58,097
Furniture and equipment	5 yrs	90,627	83,213	7,414
Audio assessment equipment	5 yrs	456,895	359,585	97,310
Computer equipment	3 yrs	226,908	210,613	16,295
Computer software	3 yrs	79,998	79,998	—
Website	5 yrs	57,500	51,722	5,778
		1,305,350	1,056,334	249,016

Building costs includes interest, financing charges and property taxes in the amount of $86,150 [2018 - $Nil].

During the year, the West 7th Avenue land and building were sold *[note 5(ii)]*.

The Society's assets are pledged as collateral for the bank loan *[note 8]*.

7. ACCOUNTS PAYABLE AND ACCRUALS

	2019 $	2018 $
Trades and other	**726,861**	313,439
Vacation, overtime and sick time	**186,348**	165,444
Government remittance - PST	**3,266**	962
- WorkSafeBC	**1,234**	1,453
	917,709	481,298

8. BANK LOAN

The Society has a $9,000,000 variable rate business loan with Vancity that was used to finance the purchase of Q-Street shares *[note 5(i)]* . The term of this credit facility is for nine months and then it was converted to a fixed rate term loan subsequent to the year-end *[note 22(i)]* .

Q-Street is the corporate guarantor for the bank loan and both the Society and Q-Street provided a general security agreement over all of their assets and an assignment of rents.

The bank loan bears interest at Vancity prime rate plus 1.00%. As at December 31, 2019, the balance was $8,273,513 [2018 - $Nil] with an effective interest rate of 4.95%.

9. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources externally restricted for capital assets and other programs.

(i) Deferred contributions related to capital assets

	2019 $	2018 $
Balance, beginning of year	**1,882,172**	756,783
Add: Contributions for the year	**524,562**	1,125,389
Less: Amortized during the year	**(23,435)**	—
Balance, end of year	**2,383,299**	1,882,172

(ii) Deferred contributions related to programs and research

	2019 $	2018 $
Balance, beginning of year	**4,410**	—
Add: Contributions for the year	**31,467**	4,410
Less: Amortized during the year	**—**	—
Balance, end of year	**35,877**	4,410

10. INTERNALLY RESTRICTED NET ASSETS

As at December 31, 2019, $739,352 [2018 - $739,352] has been internally restricted for future capital expenditures, including new premises.

Subsequent to the year-end, the Society unrestricted the $739,352 and repurposed the amount for strategic initiatives.

11. PROVINCE OF BRITISH COLUMBIA GRANT

The Society received a grant from the Province of British Columbia for audiology. In 2019, the grant revenue recognized as earned is $91,548 [2018 - $91,548].

12. ENDOWMENT FUNDS

The Vancouver Foundation administers the Western Institute for the Deaf and Hard of Hearing Endowment Fund, the Anderson Fund and the Rene Charbin Fund from which annual interest is provided to the Society. As at December 31, 2019, the market value of the Western Institute for the Deaf and Hard of Hearing Endowment Fund amounted to $441,386 [2018 - $411,609]. The market values of the Anderson Fund and the Rene Charbin Fund are no longer available to the Society due to the privacy policies at the Vancouver Foundation. The Society does not have access to the capital in the funds held by the Vancouver Foundation.

13. DONATIONS, BEQUESTS AND GIFTS

In 2019, donations, bequests and gifts revenue include bequests received in the amount of $119 [2018 - $1,314].

14. INVESTMENT INCOME

During the year, investment income has increased by $58,070 [2018 - decrease of $26,928] as a result of the change in the market values of short-term investments.

15. PENSION PLAN

The annual cost of the Pension Plan to the Society is 175% [2018 - 175%] of employee contributions. The Society's expense for the year ended December 31, 2019 in respect of pension contributions for its employees amounted to $158,544 [2018 - $160,074].

16. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments. The following analysis presents the Society's exposures to significant risk as at December 31, 2019:

Credit Risk

The Society is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. The Society does not obtain collateral or other security to support its accounts receivable subject to credit risk but mitigates this risk by also dealing with Government agencies and, accordingly, reduces its risk of significant loss for non-performance.

The Society is also exposed to credit risk with respect to its bank deposits and short-term investments. The Society reduces its credit risk by placing its bank deposits with a Canadian credit union and by having its short-term investments managed by a professional investment manager.

Liquidity Risk

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they become due. It stems from the possibility of a delay in realizing the fair value of financial instruments.

The Society manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

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 is comprised of interest rate risk and other price risk.

Interest Rate Risk

The Society is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Society to a fair value risk while the floating rate instruments subject it to a cash flow risk. The Society is exposed to this type of risk as a result of investments in mutual funds *[note 3]* , its bank loan *[note 8]* and line of credit *[note 17]* .

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is exposed to other price risk through its investment in equity based investments.

17. LINE OF CREDIT

The Society has arranged a credit facility with Vancity. The line of credit is to a maximum of $50,000. The established interest rate is prime plus 1.5%. As at December 31, 2019, the Society had not utilized this credit facility [2018 - $Nil].

18. FUNDRAISING AND SALARIES, EMPLOYEE BENEFITS AND CONTRACT SERVICES

Pursuant to the British Columbia Societies Act, the Society is required to disclose amounts paid to contractors and employees of $75,000 or more.

Fundraising expense includes $Nil [2018 - $87,125] for services provided by no contractor [2018 - one contractor] during the year.

Salaries, employee benefits and contract services include $1,414,707 [2018 - $1,031,729] paid to fourteen employees [2018 - ten employees] during the year.

19. INTERPRETING REVENUE

The Society's interpreting revenue is comprised of the following:

	2019 $	2018 $
Medical Interpreting Service Grant from The Provincial Language Service (PHSA)	**967,448**	950,969
Community Interpreting Service – CIS	**534,657**	464,780
Employment Services – Employment Program of BC (EPBC)	**268,737**	245,046
Audiology services and recoveries	**59,268**	47,542
Opportunities Fund for Deaf and Hard of Hearing Persons	—	66,025
	1,830,110	1,774,362

20. LEASE COMMITMENTS

The Society is committed to the following estimated premises lease payments over the next five years:

	$
2020	**101,307**
2021	**70,463**
2022	**71,720**
2023	**71,720**
2024	**53,790**
	369,000

21. RELATED PARTY TRANSACTIONS

The Society owns 100% of the shares of its wholly-owned subsidiary, Q-Street.

Summary financial information for Q-Street is as follows:

	2019 $
Total assets	**10,641,923**
Total liabilities	**7,399,527**
Equity	**3,242,396**
Revenue	**463**
Expenses	**15,641**
Net loss	**(15,178)**

At December 31, 2019, Q-Street was indebted to the Society in the amount of $7,395,183 [2018 - $Nil]. This amount is without interest or stated terms of repayment.

The Society leases its premises at 2005 Quebec Street from Q-Street for nominal annual rent of $1.

Q-Street has provided a guarantee for the bank loan *[note 8]* for all of its assets and an assignment of rents.

22. SUBSEQUENT EVENTS

i) Bank loan

Subsequent to the year-end, the Society converted its $9,000,000 variable rate business loan with Vancity to a $9,000,000 fixed rate term loan with Royal Bank of Canada ("RBC"). The term loan bears interest at RBC prime rate plus 1.00%.

The Society also obtained a revolving demand credit facility for up to $500,000. The related loan bears interest at RBC prime plus 1.00%.

Both the Society and Q-Street provided a general security agreement over all their assets, a collateral mortgage in the amount of $11,140,000 constituting a fixed first charge on the lands and improvements at 2005 Quebec Street, Vancouver, BC and cash collateral agreement assigning $525,000 of the Society's term deposits and/or guaranteed investment certificates.

22. SUBSEQUENT EVENTS (CONT'D)

ii) COVID-19

The recent outbreak of the coronavirus, also known as COVID-19, has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The extent to which these events may impact the Society's business activities will depend on future developments, such as the duration of the outbreak, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and, as such, the Society cannot determine the ultimate financial impacts at this time.

23. COMPARATIVE FIGURES

Certain 2018 comparative figures have been reclassified where necessary to conform to the current year's presentation.

OFFICE AND GENERAL EXPENSES

Year ended December 31

	2019 $	2018 $
Bank charges and interest	**5,458**	6,103
Board	**51,060**	20,607
Computer repairs and maintenance	**51,049**	52,716
Credit card merchant fees	**68,283**	59,945
Delivery and postage	**26,727**	12,877
Equipment leases	**15,128**	14,600
Licenses and permits	**15,183**	15,504
Memberships and subscriptions	**3,873**	4,065
Minor capital equipment and repairs	**9,224**	12,324
Newsletter, website and online store	**10,901**	12,464
Office, supplies and other	**98,436**	60,908
Professional - legal, audit, and other	**62,171**	41,136
- accounting services	**874**	1,238
Rebranding	**35,957**	—
Telephone, fax and mobile services	**49,388**	44,409
	503,712	358,896

See accompanying notes to the financial statements