
NON-CONSOLIDATED FINANCIAL STATEMENTS

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

December 31, 2021



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, 2021, 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, 2021, 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 under expenses, and cash flows from operations for the year ended December 31, 2021 and 2020, current assets as at December 31, 2021 and 2020, and net assets as at January 1 and December 31 for both the 2021 and 2020 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 23, 2022

Chartered Professional Accountants

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

	2021	2020
	\$	\$
ASSETS		
Current		
Cash	332,439	1,226,005
Short-term investments [notes 3 and 8]	1,496,527	1,686,671
Accounts receivable [note 4]	709,121	471,146
Inventory	150,925	114,132
Prepaid expenses	51,858	36,804
Total current assets	2,740,870	3,534,758
Term deposit [notes 3 and 8]	—	102,508
Investment in subsidiary company, at cost [note 5(i)]	—	12,854,903
Capital assets [note 6]	16,704,527	4,249,453
	19,445,397	20,741,622
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accruals [note 7]	413,989	480,509
Deferred revenue	32,177	380,700
Bank loan [note 8]	9,000,000	9,000,000
Total current liabilities	9,446,166	9,861,209
Deferred contributions related to capital assets [note 9(i)]	2,522,100	2,688,051
Deferred contributions related to programs, research and other [note 9(ii)]	134,969	50,581
Total liabilities	12,103,235	12,599,841
Net assets		
Invested in capital assets	5,182,427	1,561,402
Unrestricted	2,159,735	6,580,379
Total net assets	7,342,162	8,141,781
	19,445,397	20,741,622

Subsequent events [note 5(ii)]

Lease commitments [note 18]

Contingent liability [note 20]

Other [note 21]

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 \$
2021				
		<i>[note 10]</i>		
Balance, beginning of year	1,561,402	—	6,580,379	8,141,781
Revenue under expenses	(585,136)	—	(214,483)	(799,619)
Investment in capital assets	351,258	—	(351,258)	—
Exchange of investment in subsidiary company for property, net of related debt of \$9,000,000 <i>[note 5(i)]</i>	3,854,903	—	(3,854,903)	—
Balance, end of year	5,182,427	—	2,159,735	7,342,162
2020				
Balance, beginning of year	1,772,106	739,352	6,252,687	8,764,145
Revenue under expenses	(262,119)	—	(360,245)	(622,364)
Repurposed for strategic initiatives	—	(739,352)	739,352	—
Investment in capital assets	522,118	—	(522,118)	—
Capital assets acquired with restricted contributions	(470,703)	—	470,703	—
Balance, end of year	1,561,402	—	6,580,379	8,141,781

See accompanying notes to the financial statements

NON-CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31

	2021	2020
	\$	\$
REVENUE		
Grants, donations, bequests and gifts		
Province of British Columbia <i>[note 11]</i>	91,548	91,548
United Way	130,896	110,850
Other grants	468,093	255,982
Wage and rent subsidies - government assistance <i>[note 21]</i>	37,165	357,432
Donations, bequests and gifts	61,157	177,590
	788,859	993,402
Income from Social Enterprise		
Sales of hearing aids/communication devices	3,481,884	3,167,417
Cost of sales	1,280,664	1,153,308
Gross profit	2,201,220	2,014,109
Accessible Communications Services	1,560,377	1,300,972
Service contracts	225,352	232,076
Total income from Social Enterprise	3,986,949	3,547,157
Other income		
Gaming	151,500	113,400
Endowment revenues - Vancouver Foundation <i>[note 12]</i>	17,181	17,179
- Anderson Fund <i>[note 12]</i>	6,762	6,781
- Rene Charbin Fund <i>[note 12]</i>	22,466	22,428
Investment income <i>[note 13]</i>	70,130	103,513
Expense recoveries and other income	124,270	22,623
Total net revenue	5,168,117	4,826,483
EXPENSES		
Building occupancy	488,235	435,427
Fundraising	1,461	40,887
Interpreting	971,548	890,515
Loan interest and commitment fee	132,258	234,371
Office and general <i>[schedule]</i>	636,746	516,009
Publicity and public education	40,682	111,288
Salaries, employee benefits and contract services <i>[note 17]</i>	3,079,476	2,941,901
Transportation	32,194	16,330
Total expenses	5,382,600	5,186,728
Revenue under expenses for the year before other items	(214,483)	(360,245)
Amortization of deferred contributions related to capital assets <i>[note 9(i)]</i>	165,951	165,951
Amortization of capital assets	(751,087)	(428,070)
Revenue under expenses for the year	(799,619)	(622,364)

See accompanying notes to the financial statements

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31

	2021	2020
	\$	\$
OPERATING ACTIVITIES		
Revenue under expenses for the year	(799,619)	(622,364)
Items not affecting cash		
Amortization of capital assets	751,087	428,070
Amortization of deferred contributions related to capital assets	(165,951)	(165,951)
Decrease (increase) in market value of short-term investments, net	36,655	(47,552)
Changes in non-cash working capital items		
Accounts receivable	(237,975)	316,243
Inventory	(36,793)	40,479
Prepaid expenses	(15,054)	(4,698)
Accounts payable and accruals	(66,520)	(437,200)
Deferred revenue	(348,523)	312,580
Cash used in operating activities	(882,693)	(180,393)
INVESTING ACTIVITIES		
Acquisition of capital assets	(351,258)	(522,118)
Due from subsidiary company	—	(39,368)
Deferred contributions	84,388	485,407
Redemption (purchase) of short-term investments (net)	255,997	(60,871)
Cash used in investing activities	(10,873)	(136,950)
FINANCING ACTIVITIES		
Proceeds on Royal Bank of Canada bank loan	—	9,000,000
Repayment of Vancity bank loan	—	(8,273,513)
Cash provided by financing activities	—	726,487
Increase (decrease) in cash during the year	(893,566)	409,144
Cash, beginning of year	1,226,005	816,861
Cash, end of year	332,439	1,226,005

See accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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.

Operating as a Social Enterprise, the Society, delivers innovative services in Audiology and Communication Devices, Counselling, Seniors Outreach, and Accessible Communication Services that assist people who are Deaf, DeafBlind and Hard of Hearing achieve full communication accessibility.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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.

Canada Emergency Wage Subsidies are recognized as income when the Society meets the conditions of the program and when the Society is reasonably assured of collection of the respective claims.

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 and long-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.

Investments

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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].

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 lives of the related capital assets [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. INVESTMENTS

Investments consist of:

	2021	2020
	\$	\$
Short-term investments:		
High interest savings and term deposits	635,888	736,896
Mutual funds - bond, income and equity	860,639	949,775
	<u>1,496,527</u>	<u>1,686,671</u>
Long-term investments:		
Term deposit	—	102,508
	<u>1,496,527</u>	<u>1,789,179</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

3. INVESTMENTS (CONT'D)

Interest rates on the term deposits range from 0.10% to 1.26% [2020 - 1.05% to 1.35%] with maturities ranging from four to ten months.

The cost of the investments at December 31, 2021 is \$1,389,725 [2020 - \$1,645,723].

A term deposit in the amount of \$525,000 is pledged as collateral for the bank loan [note 8]. The collateral was released on the term deposit subsequent to the year-end when the Society's property was sold [note 5(ii)].

4. ACCOUNTS RECEIVABLE

	2021	2020
	\$	\$
Trades and other	705,102	460,610
Allowance for doubtful accounts	(2,000)	(2,000)
	703,102	458,610
Government - GST	6,019	12,536
	709,121	471,146

5. INVESTMENT IN SUBSIDIARY COMPANY

(i) Donated property

	2021	2020
	\$	\$
Investment in subsidiary company, Q-Street	—	12,854,903

On January 1, 2021, Q-Street issued a deed of gift for the real estate property located at 2005 Quebec Street in Vancouver, B.C. for a deemed amount of \$10,668,964. As a result of the gift, the Society incurred \$342,425 of GST, net of the applicable GST charity rebate.

The deed of gift was accounted for as follows:

	\$
Cost of the investment in Q-Street shares	12,854,903
Net GST incurred on the gifted property	342,425
Total	13,197,328

The \$13,197,328 cost is allocated to the applicable value of the property's land and building based on relative fair market value [note 6].

The net GST of \$342,425 was incurred as the property was transferred from the subsidiary (Q-Street) to the parent (the Society).

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

5. INVESTMENT IN SUBSIDIARY COMPANY (CONT'D)

(ii) Subsequent events

Subsequent to the year-end, the Society entered into a purchase and sale agreement to sell the land and building situated at 2005 Quebec Street, Vancouver, B.C. The estimated gain on the sale is approximately \$6,454,583, net of estimated disposition costs of \$507,313 and a reversal of the related deferred contributions related to capital assets of \$2,297,129.

As part of the sale of the property, the Royal Bank of Canada ("RBC") released the collateral mortgage held on the property, as well as the \$525,000 in term deposits [note 3] which was pledged as cash collateral [note 8]. However, as the Society had a Banker's Acceptance ("BA") which was owing in the amount of \$9,000,000 and which was due on June 21, 2022, the Society pledged a \$9,000,000 term deposit as cash collateral. This term deposit was used to repay the \$9,000,000 BA at that time.

The Society also entered into a lease agreement with the purchaser of the property to lease the premises at 2005 Quebec Street. The term of the lease is for 15 years with four additional renewal options of 5 years each.

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

Basic rent plus share of operating expenses and property taxes for:

- Years 1 to 5 - \$578,955 per year.
- Years 6 to 10 - \$668,025 per year.
- Years 11 to 15 - \$757,095 per year.

6. CAPITAL ASSETS

	Rate	Cost \$	Accumulated Amortization \$	Net Book Value \$
2021				
Land - 2005 Quebec Street, Vancouver	—	4,950,564	—	4,950,564
Building - 2005 Quebec Street, Vancouver	25 yrs	8,246,764	329,871	7,916,893
Building improvements - 2005 Quebec Street, Vancouver	25 yrs	3,430,277	306,807	3,123,470
Leasehold improvements - Tri-Cities	5 yrs	145,533	131,009	14,524
Furniture and equipment	5 yrs	555,223	286,455	268,768
Audio assessment equipment	5 yrs	1,040,542	696,103	344,439
Computer equipment	3 yrs	321,673	304,132	17,541
Computer software	3 yrs	79,998	79,998	—
Website	5 yrs	57,500	57,500	—
Artwork	—	68,328	—	68,328
		18,896,402	2,191,875	16,704,527

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

6. CAPITAL ASSETS (CONT'D)

	Rate	Cost \$	Accumulated Amortization \$	Net Book Value \$
2020				
Building improvements - 2005 Quebec Street, Vancouver	25 yrs	3,430,277	169,596	3,260,681
Leasehold improvements - Tri-Cities	5 yrs	145,533	116,484	29,049
Furniture and equipment	5 yrs	555,223	191,941	363,282
Audio assessment equipment	5 yrs	1,037,440	554,650	482,790
Computer equipment	3 yrs	315,941	272,544	43,397
Computer software	3 yrs	79,998	79,998	—
Website	5 yrs	57,500	55,574	1,926
Artwork	—	68,328	—	68,328
		5,690,240	1,440,787	4,249,453

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

7. ACCOUNTS PAYABLE AND ACCRUALS

	2021 \$	2020 \$
Trades and other	243,425	297,143
Vacation, overtime and sick time	151,856	165,483
Government remittance - Employer Health Tax	14,601	13,988
- PST	1,705	2,031
- WorkSafeBC	2,402	1,864
	413,989	480,509

8. BANK LOAN

The Society has a \$9,000,000 non-revolving term facility with the RBC.

The repayment of the \$9,000,000 non-revolving term facility with RBC is by way of bankers' acceptances ("BAs"). The BAs are issued at a discount to their face value plus a 1% stamping fee and have maturities of 3 months. The interest paid to RBC in 2021 had an effective interest rate of approximately 1.47% [2020 - 1.30%].

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

8. BANK LOAN (CONT'D)

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 [note 3].

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%. At December 31, 2021, no amount was drawn on this facility [2020 - Nil].

The Society has not met the debt service covenant for the non-revolving loan facility with RBC. However, the Society's sale of the property subsequent to the year-end removed the collateral pledged against the property once the Society repaid the \$9,000,000 owing on the BA which was due on June 21, 2022 [note 5(ii)].

Subsequent to the year-end, the Society also provided a general security agreement over all of their assets as collateral for the \$500,000 revolving demand credit facility and for a credit card to a maximum \$250,000.

9. DEFERRED CONTRIBUTIONS

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

(i) Deferred contributions related to capital assets

	2021	2020
	\$	\$
Balance, beginning of year	2,688,051	2,383,299
Add: Contributions for the year	—	470,703
Less: Amortized during the year	(165,951)	(165,951)
Balance, end of year	2,522,100	2,688,051

(ii) Deferred contributions related to programs, research and other

	2021	2020
	\$	\$
Balance, beginning of year	50,581	35,877
Add: Contributions for the year	116,073	18,104
Less: Used during the year	(31,685)	(3,400)
Balance, end of year	134,969	50,581

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

10. INTERNALLY RESTRICTED NET ASSETS

In 2020, 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 2021, the grant revenue recognized as earned is \$91,548 [2020 - \$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, 2021, the market value of the Western Institute for the Deaf and Hard of Hearing Endowment Fund amounted to \$497,162 [2020 - \$460,641]. 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. INVESTMENT INCOME

During the year, investment income decreased by \$36,655 [2020 - increase of \$47,552] as a result of the change in the market values of short-term investments.

14. PENSION PLAN

The annual cost of the Pension Plan to the Society is 175% [2020 - 175%] of employee contributions. The Society's expense for the year ended December 31, 2021 in respect of pension contributions for its employees amounted to \$177,608 [2020 - \$187,603].

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

15. 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, 2021:

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 investments. The Society reduces its credit risk by placing its bank deposits with a Canadian Credit Union and by having its 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 16].

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

16. LINE OF CREDIT

The Society has arranged a credit facility with RBC. The line of credit is to a maximum of \$500,000. The established interest rate is prime plus 1.0%. As at December 31, 2021, the Society had not utilized this credit facility [2020 - \$Nil].

The line of credit has been secured by collateral as described in Note 8 and was renegotiated subsequent the year-end also described in Note 8.

17. SALARIES 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.

Salaries, employee benefits and contract services include \$1,275,515 [2020 - \$1,590,037] paid to twelve employees [2020 - fifteen employees] during the year.

18. LEASE COMMITMENTS

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

	\$
2022	104,866
2023	71,660
2024	53,745
	<u>230,271</u>

19. RELATED PARTY TRANSACTIONS

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

Summary of the unaudited financial information for Q-Street is as follows:

	2021	2020
	\$	\$
Total assets	14,133	10,375,088
Total liabilities	2,269	6,896
Equity	11,864	10,368,192
Revenue	—	9
Expenses	1,111	192,236
Net loss	(1,111)	(192,227)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

19. RELATED PARTY TRANSACTIONS (CONT'D)

On December 30, 2020, 10,000 of redeemable preferred shares were issued to the Society from Q-Street in settlement of the \$7,434,551 of debt owing from Q-Street to the Society [note 5(i)]. On January 1, 2021, as described in [note 5(i)], Q-Street issued a deed of gift for the real estate property located at 2005 Quebec Street in Vancouver, B.C to the Society.

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.

20. CONTINGENT LIABILITY

The Society is currently undergoing a GST audit by the Canada Revenue Agency related to the January 1, 2021 gift of the property located at 2005 Quebec Street from Q-Street as described in note 5(i).

21. OTHER - COVID-19

Since March 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, business are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus including travel bans, quarantines, physical distancing, and closure of non-essential services have triggered significant disruptions to business worldwide. The Society has been impacted by these activities which has resulted in loss of revenue in Hearing Clinics and Accessible Communication Services social enterprises.

In late March 2020, the Government of BC issued a Public Health Order which essentially closed all non-essential services, it was deemed that the Society was an Essential Service and operated with various restrictions.

While some restrictions were lifted in June 2020, the Society continued to operate on consistently evolving Public Health Orders as various variants were discovered. The Society made significant investments to property, plant and equipment, cleaning supplies and other safety measures to comply with WorkSafe BC and other health orders so that we could continue in-person services and operate at significantly reduced capacity.

The Society continues to review various government subsidies to assist with the various financial losses because of operations being closed and limited, however, due to criteria established, the Society have not qualified for additional subsidies over the long-term.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

21. OTHER - COVID-19 (CONT'D)

As public health orders continue to be lifted, and we see new variances of the virus, the Society continues to monitor these and make changes to its operations as required.

The Society has applied for and received Canada Emergency Wage Subsidy (CEWS) grant to cover up to 75% of the salaries of its employees in the amount of \$32,172 [2020 - \$357,432].

The Society has also applied for and received Canada Emergency Rent Subsidy (CERS) grant to cover part of their commercial rent in the amount of \$4,993 [2020 - \$Nil].

22. COMPARATIVE FIGURES

Certain 2020 comparative figures have been reclassified where necessary to conform to the current year's presentation.

OFFICE AND GENERAL EXPENSES

Year ended December 31

	2021	2020
	\$	\$
Professional fees	162,239	103,382
Board	149,434	37,712
Computer, equipment, phone	137,538	110,185
Office, supplies and other	80,859	160,258
Bank charges and credit card fees	77,693	72,872
Memberships and licenses	28,983	31,600
	636,746	516,009

See accompanying notes to the financial statements