

NOVA SCOTIA HEARING AND SPEECH CENTRES
Financial Statements
Year Ended March 31, 2022

LYLE TILLEY DAVIDSON
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of Nova Scotia Hearing and Speech Centres

Opinion

We have audited the financial statements of Nova Scotia Hearing and Speech Centres (the "Centres"), which comprise the statement of financial position as at March 31, 2022, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Centres as at March 31, 2022, 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 (ASNPO).

Basis for Opinion

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 Centres in accordance with ethical requirements that are relevant to our audit 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 opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 financial statements, management is responsible for assessing the Centres' 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 Centres or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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Independent Auditor's Report to the Members of Nova Scotia Hearing and Speech Centres *(continued)*

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:

- Identify and assess the risks of material misstatement of the 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 Centres' 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 Centres' 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 Centres 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.



Halifax, Nova Scotia
June 15, 2022

CHARTERED PROFESSIONAL ACCOUNTANTS

NOVA SCOTIA HEARING AND SPEECH CENTRES
Statement of Financial Position
March 31, 2022

	Operating Fund	Fund 1	Fund 2	2022	2021
ASSETS					
CURRENT					
Cash	\$ 832,079	\$ 21,674	\$ -	\$ 853,753	\$ 434,421
Accounts receivable (Note 4)	1,430,958	649	398	1,432,005	1,389,515
Interfund receivables	29,651	751	6,802	37,204	32,216
Prepaid expenses	37,373	-	-	37,373	179,365
	2,330,061	23,074	7,200	2,360,335	2,035,517
CAPITAL ASSETS (Note 5)	342,840	-	-	342,840	331,686
MARKETABLE SECURITIES (Note 6)	-	693,923	549,418	1,243,341	1,147,790
	\$ 2,672,901	\$ 716,997	\$ 556,618	\$ 3,946,516	\$ 3,514,993
LIABILITIES AND NET ASSETS					
CURRENT					
Accounts payable and accrued liabilities (Note 7)	\$ 878,019	\$ -	\$ 1,576	\$ 879,595	\$ 749,610
Interfund payables	7,553	29,651	-	37,204	32,216
	885,572	29,651	1,576	916,799	781,826
DEFERRED CONTRIBUTIONS - CAPITAL ASSETS (Note 8)	118,474	-	-	118,474	82,947
SPECIAL PURPOSE FUNDS (Note 9)	436,227	-	-	436,227	478,554
	1,440,273	29,651	1,576	1,471,500	1,343,327
FUND BALANCES	1,232,628	687,346	555,042	2,475,016	2,171,666
	\$ 2,672,901	\$ 716,997	\$ 556,618	\$ 3,946,516	\$ 3,514,993

LEASE COMMITMENTS (Note 13)

ON BEHALF OF THE BOARD

 Director


 Director

NOVA SCOTIA HEARING AND SPEECH CENTRES
Statement of Revenues and Expenditures
Year Ended March 31, 2022

	Operating Fund	Fund 1	Fund 2	2022	2021
REVENUE					
Department of Health (Note 10)	\$ 13,524,296	\$ -	\$ -	\$ 13,524,296	\$ 13,632,495
Department of Health - EIBI (Note 10)	2,099,425	-	-	2,099,425	1,640,694
Contract revenue	3,775	-	-	3,775	2,850
Out of Province	134,296	-	-	134,296	149,229
Miscellaneous income	90,031	-	1,614	91,645	82,708
Investment income (loss) (Note 11)	-	59,705	59,152	118,857	241,190
Recoveries	29,870	-	-	29,870	19,908
	<u>15,881,693</u>	<u>59,705</u>	<u>60,766</u>	<u>16,002,164</u>	<u>15,769,074</u>
EXPENDITURES					
Administrative expenses (Note 12)	1,076,033	-	-	1,076,033	1,077,289
Autism program (Note 12)	1,370,930	-	-	1,370,930	1,583,457
Core hearing and speech services (Note 12)	9,355,042	-	-	9,355,042	9,111,892
EIBI (Note 12)	2,099,406	-	-	2,099,406	1,640,694
Investment fees	-	9,638	5,711	15,349	12,686
Operational (Note 12)	1,622,691	-	-	1,622,691	1,757,296
Scholarships	-	1,058	-	1,058	1,032
	<u>15,524,102</u>	<u>10,696</u>	<u>5,711</u>	<u>15,540,509</u>	<u>15,184,346</u>
EXCESS OF REVENUE OVER EXPENDITURES FROM OPERATIONS	357,591	49,009	55,055	461,655	584,728
OTHER EXPENDITURES					
Amortization of capital assets	158,305	-	-	158,305	146,525
EXCESS OF REVENUE OVER EXPENDITURES	<u>\$ 199,286</u>	<u>\$ 49,009</u>	<u>\$ 55,055</u>	<u>\$ 303,350</u>	<u>\$ 438,203</u>

NOVA SCOTIA HEARING AND SPEECH CENTRES
Statement of Changes in Fund Balances
Year Ended March 31, 2022

	Operating Fund		Fund 1	Fund 2	2022	2021
	Operating	Invested in Capital Assets				
FUND BALANCES - BEGINNING OF YEAR	\$ 701,656	\$ 331,686	\$ 638,337	\$ 499,987	\$ 2,171,666	\$ 1,733,463
Excess of revenue over expenditures	357,591	(158,305)	49,009	55,055	303,350	438,203
Purchase of capital assets	(169,459)	169,459	-	-	-	-
FUND BALANCES - END OF YEAR	\$ 889,788	\$ 342,840	\$ 687,346	\$ 555,042	\$ 2,475,016	\$ 2,171,666

NOVA SCOTIA HEARING AND SPEECH CENTRES

Statement of Cash Flows

Year Ended March 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 303,350	\$ 438,203
Items not affecting cash:		
Amortization of capital assets	158,305	146,525
Amortization of deferred capital contributions	(41,473)	(41,473)
Realized gain on sale of investments	(69,582)	(100,055)
Unrealized gain on investments	(15,252)	(104,069)
	<u>335,348</u>	<u>339,131</u>
Changes in non-cash working capital:		
Accounts receivable	(42,491)	(46,307)
Accounts payable and accrued liabilities	129,986	(270,811)
Prepaid expenses	141,992	(142,609)
	<u>229,487</u>	<u>(459,727)</u>
Cash flow from (used by) operating activities	<u>564,835</u>	<u>(120,596)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(169,459)	(40,970)
Proceeds from sale of investments	115,337	435,287
Purchase of investments	(126,054)	(503,275)
Cash flow used by investing activities	<u>(180,176)</u>	<u>(108,958)</u>
FINANCING ACTIVITIES		
Special purpose fund receipts	970,736	1,571,876
Special purpose fund expenses	(1,013,063)	(1,211,290)
Transfer to special purpose funds	-	(367,000)
Deferred capital contributions	77,000	-
Cash flow from (used by) financing activities	<u>34,673</u>	<u>(6,414)</u>
INCREASE (DECREASE) IN CASH FLOW	419,332	(235,968)
Cash - beginning of year	<u>434,421</u>	<u>670,389</u>
CASH - END OF YEAR	\$ 853,753	\$ 434,421

NOVA SCOTIA HEARING AND SPEECH CENTRES

Notes to Financial Statements

Year Ended March 31, 2022

1. STATUS AND NATURE OF OPERATIONS

Nova Scotia Hearing and Speech Centres (the "Centres") are a registered charity incorporated provincially under the Societies Act of Nova Scotia. The Centres are designated by the Department of Health as the healthcare agency responsible for providing hearing services to all citizens in Nova Scotia and speech language services to preschool children and adults.

As a registered charity the Centres are exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

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 (ASNPO).

Cash

Cash consists of petty cash and deposits held within Canadian financial institutions, net of outstanding cheques.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued, except for transactions with related parties which are recorded at the exchange amount. 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.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a straight-line basis at the following rates:

Clinic equipment	5 years
Computer equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	10 years
Audio booths	10 years

Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the Centres' ability to provide services, its carrying amount is written down to its residual value.

Impairment of long lived assets

The Centres tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

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NOVA SCOTIA HEARING AND SPEECH CENTRES

Notes to Financial Statements

Year Ended March 31, 2022

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. The primary estimates made by management relate to the allowance for doubtful accounts and the useful lives of capital assets. Actual results could differ from these estimates.

Fund accounting

The Centres use fund accounting to prepare its financial statements. These funds are the Operating Fund, Fund 1 and Fund 2.

The Operating Fund manages the operations of the Centres and is funded through the Department of Health based on annual business plans prepared by management and submitted to the Department of Health. Included in the Operating Fund is the Centres' investment in capital assets, net of amortization.

Fund 1 (formerly the Investment Fund) holds and administers certain investments of the Centres. It is an accumulation of both restricted and general donations and investment income. Its primary purpose is to serve as contingency to support business continuity, the maintenance of operations and patient/staff safety.

Fund 2 (formerly the Foundation Fund) solicits, raises, accepts and manages donations, gifts and bequests for the purpose of honoring donor's intent with regard to access to HSNS Services for Nova Scotians. This fund should support innovations/research in service delivery and quality improvement. It should also support the improvement/equity and safety of services to meet the needs of diverse NS Communities and maximize the organization's potential through strategic partnerships and other levels of government.

Revenue recognition

Nova Scotia Hearing and Speech Centres follow the deferral method of accounting for contributions, which includes government support and professional fees for services provided.

Unrestricted contributions are recognized when received or receivable to the extent that amounts to be received can be reasonably estimated and collection is reasonably assured.

Contributions for the purchase of capital assets are deferred and recognized as revenue on the same basis as the related amortization expense.

Investment income is recognized as revenue when earned.

3. FINANCIAL INSTRUMENTS

The Centres are exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. Financial instruments consist of cash, accounts receivable, marketable securities and accounts payable. The following analysis provides information about the Centres' risk exposure and concentration as of March 31, 2022.

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NOVA SCOTIA HEARING AND SPEECH CENTRES

Notes to Financial Statements

Year Ended March 31, 2022

3. FINANCIAL INSTRUMENTS *(continued)*

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The nature of revenue and significant number of customers minimizes the concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Centres are exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, accounts payable and accrued liabilities.

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 comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Centres are mainly exposed to currency risk and other price risk.

Currency risk

Currency risk is the risk to the Centres' earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Centres are exposed to foreign currency exchange risk on cash held in U.S. dollars. At March 31, 2022, the Centres held cash of \$11,784 (2021 - \$11,844) that was exposed to fluctuations in the U.S. currency. The Centres do not use derivative instruments to reduce their exposure to foreign currency risk.

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 Centres are exposed to other price risk through their investment in quoted shares.

4. ACCOUNTS RECEIVABLE - OPERATING FUND

The Operating Fund accounts receivable consists of the following:

	<u>2022</u>	<u>2021</u>
Patient receivables	\$ 93,574	\$ 279,349
Provincial funding receivable	1,190,787	1,030,562
Allowance for doubtful accounts	(1,500)	(1,500)
Harmonized sales taxes receivable	148,097	79,683
	<u>\$ 1,430,958</u>	<u>\$ 1,388,094</u>

NOVA SCOTIA HEARING AND SPEECH CENTRES
Notes to Financial Statements
Year Ended March 31, 2022

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Clinic equipment	\$ 3,560,440	\$ 3,222,486	\$ 337,953	\$ 321,850
Computer equipment	8,223	6,578	1,645	3,289
Furniture and fixtures	20,287	20,287	-	-
Leasehold improvements	790,080	788,682	1,397	4,395
Audio booths	68,578	66,733	1,845	2,152
	\$ 4,447,608	\$ 4,104,766	\$ 342,840	\$ 331,686

6. MARKETABLE SECURITIES

	2022	2021
<u>Fund 1</u>		
Fixed income securities	\$ 212,638	\$ 198,332
Equity securities and short term notes	481,285	453,269
	693,923	651,601
<u>Fund 2</u>		
Mutual fund securities	549,418	496,189
	\$ 1,243,341	\$ 1,147,790

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES - OPERATING FUND

The Operating Fund accounts payable and accrued liabilities consists of the following:

	2022	2021
Trade payables and accrued liabilities	\$ 624,503	\$ 522,106
Salary and vacation payables and accruals	253,517	226,114
	\$ 878,020	\$ 748,220

8. DEFERRED CONTRIBUTIONS - CAPITAL ASSETS

	2022	2021
Capital contributions	\$ 284,367	\$ 207,367
Amortization	(165,893)	(124,420)
	\$ 118,474	\$ 82,947

NOVA SCOTIA HEARING AND SPEECH CENTRES

Notes to Financial Statements

Year Ended March 31, 2022

9. SPECIAL PURPOSE FUNDS

	March 31, 2021	Receipts	Expenses	March 31, 2022
Audio continuing education fund	\$ 12,293	\$ -	\$ -	\$ 12,293
Kentville donations	1,250	-	-	1,250
Refurbishing program	1,539	-	-	1,539
Cochlear implant program	347,993	727,118	771,554	303,557
SLP prevention and promotion	612	-	-	612
Reserve capital equipment	59,456	-	-	59,456
SLP education	54,314	-	-	54,314
Other contract revenue	1,097	23,594	21,485	3,206
	\$ 478,554	\$ 750,712	\$ 793,039	\$ 436,227

10. PROVINCE OF NOVA SCOTIA

Funding billed and accrued from the Province of Nova Scotia is as follows:

	2022	2021
<u>Billed funding</u>		
Operational funding	\$ 13,482,822	\$ 13,482,824
EIBI	2,099,425	1,640,694
Cochlear implants (included in special purpose funds)	727,118	753,466
	16,309,365	15,876,984
<u>Accrued funding</u>		
Pregnancy top ups	17,313	18,410
	\$ 16,326,678	\$ 15,895,394

11. INVESTMENT INCOME - INVESTMENT FUND

	2022	2021
<u>Fund 1</u>		
Interest income	\$ -	\$ 1,532
Realized gain on sale of investments	27,101	98,857
Gain in market value	9,525	10,181
Dividends	23,079	20,286
	59,705	130,856
<u>Fund 2</u>		
Realized gain on sale of investments	1,958	1,198
Gain in market value	6,018	94,420
Reinvested distribution income	51,176	14,716
	59,152	110,334
	\$ 118,857	\$ 241,190

NOVA SCOTIA HEARING AND SPEECH CENTRES

Notes to Financial Statements

Year Ended March 31, 2022

12. SALARIES AND BENEFITS

Included in the various program expenses are the following salaries and benefits:

	<u>2022</u>	<u>2021</u>
Clinical salaries and benefits	\$ 9,094,501	\$ 8,896,353
Operational salaries and benefits	252,431	251,333
Administrative salaries and benefits	887,364	846,508
Autism salaries and wages	1,236,438	1,452,308
EIBI salaries and benefits	1,928,124	1,548,486
	<u>\$ 13,398,858</u>	<u>\$ 12,994,988</u>

13. LEASE COMMITMENTS

The Centres have long term leases with respect to their premises and certain equipment. Future minimum lease payments as at March 31, 2022, are as follows:

	<u>Premises</u>	<u>Equipment</u>	<u>Total</u>
2023	\$ 528,718	\$ 49,681	\$ 578,399
2024	91,326	49,552	140,878
2025	53,227	41,078	94,305
	<u>\$ 673,271</u>	<u>\$ 140,311</u>	<u>\$ 813,582</u>

14. ECONOMIC DEPENDENCE

The Centres derive approximately 98% (2021 - 97%) of their revenue from the Province of Nova Scotia, therefore the Centres are economically dependent on the Province.

15. COVID 19

Beginning in March 2020 the Governments of Canada and Nova Scotia, as well as foreign governments instituted emergency measures as a result of the COVID-19 virus. The virus has had a major impact on Canadian and international securities and currency markets and consumer activity which may impact the Centres' financial position, its results of operations and its cash flows significantly. As these are on-going events, these financial statements do not reflect any potential future impact. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Centres as at the report date.