

The War Amputations of Canada

Financial Statements
December 31, 2017



June 14, 2018

Independent Auditor's Report

To the Members of The War Amputations of Canada

We have audited the accompanying financial statements of The War Amputations of Canada ("the Association"), which comprise the statement of net assets as at December 31, 2017 and the statements of changes in net assets, revenue and expense and cash flows for the year then ended, and the related notes, which comprise 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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Basis for qualified opinion

In common with many not-for-profit organizations, the Association derives donations revenue from its Key Tag Service Division and other sources, 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 Association. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, net revenue (expense) and cash flows from operations for the years ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016 and net assets as at the beginning and the end of the years ended December 31, 2017 and 2016. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2017 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

The War Amputations of Canada



Statement of Net Assets

As at December 31, 2017

	2017 \$	2016 \$
Assets		
Current assets		
Cash (note 3)	20,734,509	14,284,525
Short-term investments (note 4)	12,033,698	16,025,590
Accounts receivable	960,261	788,193
Key Tag supplies - at cost	499,205	392,928
Prepaid expenses	218,476	192,771
	<u>34,446,149</u>	<u>31,684,007</u>
Capital assets (note 5)	5,739,792	5,912,610
Pension asset (note 6)	4,314,629	4,160,160
Assets held for pension liability (note 7)	5,783,733	5,831,511
Other assets (note 8)	436,752	434,008
	<u>50,721,055</u>	<u>48,022,296</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	4,679,966	3,860,723
Pension liability (note 6)	8,914,363	8,326,808
	<u>13,594,329</u>	<u>12,187,531</u>
Net Assets	<u>37,126,726</u>	<u>35,834,765</u>
Net assets consist of		
Unrestricted	3,158,524	1,698,745
Invested in capital assets	5,739,792	5,912,610
Internally restricted (note 10)	28,080,000	28,080,000
Externally restricted for endowment purposes (note 3)	148,410	143,410
	<u>37,126,726</u>	<u>35,834,765</u>

Commitments (note 11)

Approved by the Board of Directors

 Director  Director

The accompanying notes are an integral part of these financial statements.

The War Amputations of Canada

Statement of Changes in Net Assets

For the year ended December 31, 2017

	Balance - Beginning of year \$	Net revenue for the year \$	Remeasurements and other items \$	Endowment contributions \$	Transfers from (to) \$	Balance - End of year \$
Unrestricted	1,698,745	2,522,937	(1,025,418)	-	(37,740)	3,158,524
Invested in capital assets	5,912,610	(210,558)	-	-	37,740	5,739,792
Internally restricted (note 10)	28,080,000	-	-	-	-	28,080,000
Externally restricted for endowment purposes (note 3)	143,410	-	-	5,000	-	148,410
	<u>35,834,765</u>	<u>2,312,379</u>	<u>(1,025,418)</u>	<u>5,000</u>	<u>-</u>	<u>37,126,726</u>

The accompanying notes are an integral part of these financial statements.

The War Amputations of Canada

Statement of Revenue and Expense

For the year ended December 31, 2017

	2017 \$	2016 \$
Revenue		
Key Tag Service Division - sheltered workshop for the employment of the disabled (note 1)	31,081,443	30,491,871
Bequests	5,269,231	4,922,725
Investment income	217,320	220,312
Donations and miscellaneous	432,565	172,644
	<u>37,000,559</u>	<u>35,807,552</u>
Expense		
Adult amputee program	2,998,448	3,559,388
At Your Service publication	198,798	218,035
Branch operations	-	185,561
Bursaries	-	59,500
CHAMP program	9,202,983	9,438,290
Corporate donor program	213,088	232,372
Directors' meetings	27,157	69,354
DRIVESAFE program (recovery)	186,205	(90)
Education and meetings	-	43,780
Key Tag Service Division - sheltered workshop for the employment of the disabled (note 1)	14,758,868	15,107,013
Legal and audit	128,680	91,361
Miscellaneous	173,126	82,001
PLAYSAFE program	2,620,557	2,657,710
Prosthetics research and education funding	469,535	489,492
Public awareness	88,533	78,937
Service bureau and advocacy	2,518,678	2,611,010
Sick visiting	-	3,431
Special programs	25,434	81,680
Survivors' subsistence grants	7,000	12,000
Veterans' issues - special	435,323	377,009
Video distribution	23,166	15,086
Widows' assistance program	612,602	681,576
	<u>34,688,181</u>	<u>36,094,496</u>
Net revenue (expense) for the year	<u>2,312,378</u>	<u>(286,944)</u>

The accompanying notes are an integral part of these financial statements.

The War Amputations of Canada

Statement of Cash Flows

For the year ended December 31, 2017

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Net revenue (expense) for the year	2,312,379	(286,944)
Items not affecting cash		
Amortization of capital assets	210,558	383,367
Loss on disposal of capital assets	-	21,073
Changes in fair value of investments	(168,145)	228,044
Pension expense	907,000	941,541
Payments for employment benefits	(1,499,332)	(1,495,711)
Net change in non-cash working capital items	512,449	804,843
	<u>2,274,909</u>	<u>596,213</u>
Investing activities		
Proceeds on sale of investments	12,812,703	60,588,011
Purchase of investments	(8,604,888)	(62,068,334)
Purchase of capital assets	(37,740)	(793,647)
	<u>4,170,075</u>	<u>(2,273,970)</u>
Financing activity		
Endowment contributions	5,000	5,000
	<u>5,000</u>	<u>5,000</u>
Net change in cash for the year	6,449,984	(1,672,757)
Cash - Beginning of year	14,284,525	15,957,282
Cash - End of year	<u>20,734,509</u>	<u>14,284,525</u>

The accompanying notes are an integral part of these financial statements.

The War Amputations of Canada

Notes to Financial Statements

December 31, 2017

1 Primary purpose and basis of presentation

The primary purpose of The War Amputations of Canada (“the Association”) is to provide financial and advisory services to those who have lost a limb, limbs or total eyesight in military service in the Armed Forces of Canada or her allies during time of war and to provide similar services to persons resident in Canada who have undergone amputation for causes other than war.

The Association is a registered charity, exempt from income taxes under subsection 149(1)(f) of the *Income Tax Act*, and is incorporated under the *Canada Not-for-profit Corporations Act*.

The financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the accounts of the National Headquarters, the 19 branches and the Key Tag Service Division.

Key Tag Service Division

In 1946, the Association created the Key Tag Service Division to provide employment for returning disabled veterans from the Second World War. This service was recognized as a sheltered workshop. During the intervening years, disabled Canadians have continued to find employment at the Key Tag Service Division. The Key Tag Service Division is dedicated to providing employment to disabled Canadians.

2 Summary of significant accounting policies

Use of estimates

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 amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results could differ from those estimates.

Investments

The Association’s investments (notes 4 and 7) are measured at fair value using quoted market prices. Changes in fair value are included in the statement of revenue and expense.

Capital assets

Capital assets are recorded at cost and are then amortized over their estimated useful service lives, using the declining-balance method, at the following annual rates:

Buildings	5%
Furniture, machinery and equipment	25%
Vehicles	25%

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Notes to Financial Statements

December 31, 2017

Revenue recognition

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in net assets.

Employee future benefits

The Association provides retirement benefits for its Key Tag Service Division employees and their survivors under a defined benefit pension plan (“the Key Tag Service Pension Plan”) based on length of service and final average earnings. The Association funds its share of the Key Tag Service Pension Plan. On January 1, 2012, the Key Tag Service Pension Plan was amended so that all future benefits accruing on and after this date for new employees would be on a defined contribution basis.

Certain members of senior management are members of various unfunded defined benefit pension plans (“Executive Pension Plans”) with benefits paid by the Association based on a fixed percentage of final earnings offset by pensions provided by other plans of the Association.

The related accrued benefit obligations are actuarially determined based on the most recently completed actuarial valuation prepared for funding purposes of the Key Tag Service Pension Plan. Under the immediate recognition approach, the total cost, excluding remeasurements and other items, is included in net revenue (expense) for the year. Actuarial gains and losses, past service costs and other remeasurements and other items are recognized directly in net assets.

The Association also maintains a defined contribution plan for its National Headquarters employees. Contributions based on 5% of employee earnings are expensed as paid.

Allocation of expenses

Occupancy, general office and amortization expenses relating to the National Headquarters are allocated to certain programs in order to reflect support provided to these areas. These expenses are allocated based on estimates of usage.

A portion of other salaries and benefits expenses are allocated to certain programs in order to reflect support provided to these areas. These expenses are allocated based on estimates of time spent by the relevant personnel on these programs.

3 Cash

The Association receives a significant portion of its funding immediately prior to the year-end. These funds are used to finance the operations of its charitable activities in the ensuing year.

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Notes to Financial Statements

December 31, 2017

Net assets restricted for endowment purposes include gifts to the Association stipulating that the resources be maintained permanently and that only interest earned may be used in designated programs. Endowments are invested in cash. Principal amounts received to date are as follows.

	2017 \$	2016 \$
Ed McAndrew	25,000	25,000
Griffith and Christina Lloyd	40,000	35,000
Kerr Estate	53,000	53,000
Lewis Manne	20,000	20,000
Michael Lifshitz	410	410
Robert Elliot	10,000	10,000
	<hr/>	<hr/>
	148,410	143,410

4 Short-term investments

	2017 \$	2016 \$
Cash	462,344	32,053
Guaranteed investment certificates	1,500,000	6,000,000
Government of Canada treasury bills	359,881	59,939
Government bonds	9,677,468	9,775,910
Accrued interest	34,005	154,188
Other	-	3,500
	<hr/>	<hr/>
	12,033,698	16,025,590

Guaranteed investment certificates bear interest at fixed rates ranging from 1.4% to 2.2% and mature between 2017 and 2018 (2016 - bear interest at rates ranging from 1.4% to 2.2% and mature between 2016 and 2017).

Government bonds bear interest at fixed rates ranging from 1.35% to 2.40% and mature between 2022 and 2026 (2016 - bear interest at ranging from 1.25% to 1.95% and mature between 2020 and 2025).

5 Capital assets

	<hr/> 2017 <hr/>		
	Cost \$	Accumulated amortization \$	Net \$
Land	1,725,546	-	1,725,546
Buildings	9,166,614	5,647,042	3,519,572
Furniture, machinery and equipment	4,222,623	3,749,989	472,634
Vehicles	39,183	17,143	22,040
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	15,153,966	9,414,174	5,739,792

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Notes to Financial Statements

December 31, 2017

	2016		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land	1,725,546	-	1,725,546
Buildings	9,153,951	5,475,560	3,678,391
Furniture, machinery and equipment	4,197,545	3,718,259	479,286
Vehicles	39,183	9,796	29,387
	<u>15,116,225</u>	<u>9,203,615</u>	<u>5,912,610</u>

6 Employee future benefits

Extrapolations of actuarial valuations prepared as at January 1, 2017 (2016 - January 1, 2014) indicated the following information as at the measurement dates of December 31 each year.

	2017		2016	
	Executive	Key Tag	Executive	Key Tag
	Pension Plans	Service	Pension Plans	Service
	\$	Pension Plan	\$	Pension Plan
	(note 7)	\$	(note 7)	\$
Fair value of plan assets	-	30,397,518	-	27,541,022
Accrued benefit obligation	(8,914,363)	(26,082,889)	(8,326,808)	(23,380,862)
Pension asset (liability)	<u>(8,914,363)</u>	<u>4,314,629</u>	<u>(8,326,808)</u>	<u>4,160,160</u>

7 Assets held for pension liability

The following assets are held with the intention to pay pension benefits under the Executive Pension Plans (note 6).

	2017	2016
	\$	\$
Manulife Balanced Fund	3,194,169	3,147,834
Guaranteed investment accounts bearing interest at fixed rates, maturing within five years	<u>2,589,564</u>	<u>2,683,677</u>
	<u>5,783,733</u>	<u>5,831,511</u>

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8 Other assets

Other assets represent the present value of donations receivable by the Association as beneficiary of irrevocable gifted charitable remainder life insurance and trust policies.

9 Government remittances

Government remittances of \$nil (2016 - \$nil) are included in accounts payable and accrued liabilities.

10 Internally restricted net assets

The National Board of Directors has approved internally restricted net assets for:

- a) long-term commitments made with respect to children enrolled in the Child Amputee (CHAMP) program;
- b) survivors' subsistence grants of \$2,000 per member on the death of an active member and \$1,000 on the death of the spouse. Payment of these grants is at the discretion of the respective branch executives on the basis of need.

	2017	2016
	\$	\$
CHAMP program	28,000,000	28,000,000
Survivors' subsistence grants	80,000	80,000
	<u>28,080,000</u>	<u>28,080,000</u>

11 Commitments

Minimum annual lease payments relate to office space and equipment leases as follows:

	\$
Year ending December 31, 2018	181,128
2019	153,610
2020	146,267
2021	146,930
2022	156,607
Thereafter	366,109

12 Additional information to comply with the disclosure requirements of the *Charitable Fundraising Act (Alberta)*

Key Tag Service Division expenses include \$106,781 (2016 - \$104,760) for employees whose principal duties involve fundraising.

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Notes to Financial Statements

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13 Allocation of expenses

	2017								
	Adult amputee program \$	At Your Service publication \$	CHAMP program \$	Corporate donor program \$	PLAYSAFE program \$	Prosthetics research and education funding \$	Service bureau and advocacy \$	Veterans' issues - special \$	Total \$
Occupancy, general office and amortization	27,055	27,055	162,326	27,055	27,055	54,108	189,381	27,055	541,090
Salaries and benefits	171,743	171,743	1,030,461	171,743	171,743	343,487	1,202,204	171,743	3,434,867
	198,798	198,798	1,192,787	198,798	198,798	397,595	1,391,585	198,798	3,975,957
	2016								
	Adult amputee program \$	At Your Service publication \$	CHAMP program \$	Corporate donor program \$	PLAYSAFE program \$	Prosthetics research and education funding \$	Service bureau and advocacy \$	Veterans' issues - special \$	Total \$
Occupancy, general office and amortization	31,074	31,074	186,442	31,074	31,074	62,147	217,516	31,074	621,475
Salaries and benefits	186,961	186,961	1,121,766	186,961	186,961	373,922	1,308,727	186,961	3,739,220
	218,035	218,035	1,308,208	218,035	218,035	436,069	1,526,243	218,035	4,360,695