The War Amputations of Canada

Financial Statements
December 31, 2014

July 14, 2015

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, which comprise the statement of net assets as at December 31, 2014 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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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 and cash flows from operations for the years ended December 31, 2014 and 2013, current assets as at December 31, 2014 and 2013 and net assets as at the beginning and the end of the years ended December 31, 2014 and 2013. Our audit opinion on the financial statements for the year ended December 31, 2013 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, 2014 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, 2014

	2014 $	2013 $ (as restated – note 14)
Assets		
Current assets		
Cash (note 3)	18,967,077	16,688,076
Short-term investments (note 4)	11,000,622	12,933,873
Accounts receivable	556,279	491,345
Key Tag supplies – At cost	347,681	298,050
Prepaid expenses	182,492	143,132
	31,054,151	30,554,476
Capital assets (note 5)	5,487,912	5,641,209
Pension asset (note 6)	2,731,530	3,484,156
Assets held for pension liability (note 7)	5,973,695	5,898,747
Other assets (note 8)	528,828	554,476
	45,776,116	46,133,064
Liabilities		
Current liability		
Accounts payable and accrued liabilities (note 9)	2,364,832	2,652,795
Pension liability (note 6)	7,773,753	7,780,970
	10,138,585	10,433,765
Net assets	35,637,531	35,699,299
Net assets are comprised of –		
Unrestricted	1,868,209	1,755,680
Invested in capital assets	5,487,912	5,641,209
Internally restricted (note 10)	28,148,000	28,174,000
Externally restricted for endowment purposes (note 3)	133,410	128,410
	35,637,531	35,699,299

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, 2014

	Balance – Beginning of year							
	As previously reported $	**Changes in accounting policy** (note 14) $	**As restated** $	**Net revenue (expense) for the year** $	**Remeasurements and other items** $	**Endowment contributions** $	**Transfers from (to)** $	**Balance – End of year** $
Unrestricted	1,470,422	285,258	1,755,680	1,241,172	(914,368)	–	(214,275)	1,868,209
Invested in capital assets	5,641,209	–	5,641,209	(393,572)	–	–	240,275	5,487,912
Internally restricted (note 10)	28,174,000	–	28,174,000	–	–	–	(26,000)	28,148,000
Externally restricted for endowment purposes (note 3)	128,410	–	128,410	–	–	5,000	–	133,410
	35,414,041	285,258	35,699,299	847,600	(914,368)	5,000	–	35,637,531

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, 2014

	2014 $	2013 $ (as restated – note 14)
Revenue		
Key Tag Service Division – Sheltered workshop for the employment of the disabled	29,717,817	28,450,714
Bequests	3,150,974	3,036,508
Investment income (loss)	808,882	(335,599)
Donations and miscellaneous	165,652	257,799
	33,843,325	31,409,422
Expense		
Adult amputee program	2,372,431	2,374,887
At Your Service publication	196,798	210,792
Benevolent grants	–	7,814
Branch operations	192,751	191,208
Bursaries	64,000	63,500
CHAMP program	8,301,816	8,567,052
Corporate donor program	215,205	232,658
Directors’ meetings	183,100	155,692
DRIVESAFE program	184,860	203,201
Education and meetings	43,532	52,047
Key Tag Service Division – Sheltered workshop for the employment of the disabled (note 1)	14,414,714	13,972,233
Legal and audit	119,253	109,285
Miscellaneous	80,122	94,077
PLAYSAFE program	2,545,969	2,446,117
Prosthetics research and education funding	492,542	480,856
Public awareness	75,242	107,176
Service bureau	2,032,022	2,079,081
Sick visiting	7,994	5,832
Special programs	129,648	72,563
Survivors’ subsistence grants	20,000	24,000
Veterans’ issues – special	312,900	322,255
Video distribution	32,698	95,773
Widows’ assistance program	978,128	1,133,300
	32,995,725	33,001,399
Net revenue (expense) for the year	847,600	(1,591,977)

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, 2014

	2014 $	2013 $ (as restated – note 14)
Cash flows provided by (used in)		
Operating activities		
Net revenue (expense) for the year	847,600	(1,591,977)
Items not affecting cash –		
Amortization of capital assets	318,755	326,560
Loss on disposal of capital assets	74,817	93,979
Changes in fair value of investments	(329,124)	657,245
Pension expense	1,047,554	955,492
Payments for employment benefits	(1,216,513)	(1,513,658)
Net change in non-cash working capital items	(441,888)	463,685
	301,201	(608,674)
Investing activities		
Proceeds on sale of investments	38,496,010	23,416,305
Purchases of investments	(36,282,935)	(22,790,716)
Purchases of capital assets	(240,275)	(510,178)
	1,972,800	115,411
Financing activity		
Endowment contributions	5,000	5,240
Net change in cash for the year	2,279,001	(488,023)
Cash – Beginning of year	16,688,076	17,176,099
Cash – End of year	18,967,077	16,688,076

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

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.

Key Tag Service

In 1946, the Association created the Key Tag Service 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. The Key Tag Service is dedicated to providing employment to disabled Canadians.

2 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 disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results could differ from these 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%

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.

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 remeasurement and other items, is included in net revenue for the year. Actuarial gains and losses, past service costs and other remeasurements and other items are recognized directly in net assets (note 14).

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.

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.

	2014 $	2013 $
Ed McAndrew	25,000	25,000
Griffith and Christina Lloyd	25,000	20,000
Kerr Estate	53,000	53,000
Lewis Manne	20,000	20,000
Michael Lifshitz	410	410
Robert Elliot	10,000	10,000
	133,410	128,410

4 Short-term investments

	2014 $	2013 $
Cash	2,053	123,742
Guaranteed investment certificates	2,000,000	5,000,000
Government of Canada treasury bills	5,991,481	–
Government bonds	2,954,650	7,757,293
Accrued interest	52,438	52,838
	11,000,622	12,933,873

Guaranteed investment certificates bear interest at 2.2% and mature in 2015 (2013 – bear interest at fixed rates ranging from 1.9% to 2.2% and mature between 2014 and 2015).

Government bonds bear interest at 2.4% and mature in 2023. Government of Canada treasury bills mature in 2015.

5 Capital assets

			2014
	Cost $	Accumulated amortization $	Net $
Land	1,725,546	–	1,725,546
Buildings	8,368,173	5,089,112	3,279,061
Furniture, machinery and equipment	4,270,169	3,807,365	462,804
Vehicles	36,445	15,944	20,501
	14,400,333	8,912,421	5,487,912

			2013
	Cost $	Accumulated amortization $	Net $
Land	1,725,546	–	1,725,546
Buildings	8,496,654	5,051,875	3,444,779
Furniture, machinery and equipment	4,320,546	3,876,996	443,550
Vehicles	36,445	9,111	27,334
	14,579,191	8,937,982	5,641,209

6 Employee future benefits

Extrapolations of actuarial valuations prepared as at January 1, 2014 (2013 – January 1, 2011) indicated the following information as at the measurement dates of December 31 each year.

		2014		2013 (as restated – note 14)
	Executive Pension Plans (note 7) $	Key Tag Service Pension Plan $	Executive Pension Plans (note 7) $	Key Tag Service Pension Plan $
Fair value of plan assets	–	23,562,991	–	20,908,996
Accrued benefit obligation	(7,773,753)	(20,831,461)	(7,780,970)	(17,424,840)
Pension asset (liability)	(7,773,753)	2,731,530	(7,780,970)	3,484,156

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).

	2014 $	2013 $
Manulife Balanced Fund	3,136,531	2,998,625
Guaranteed investment accounts bearing interest at fixed rates, maturing within five years	2,837,164	2,900,122
	5,973,695	5,898,747

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 (2013 – $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.

	2014 $	2013 $
CHAMP program	28,000,000	28,000,000
Survivors' subsistence grants	148,000	174,000
	28,148,000	28,174,000

11 Commitments

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

		$
Year ending December 31,	2015	155,257
	2016	76,706
	2017	78,369
	2018	72,493
	2019	69,539
	Thereafter	495,666

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

Key Tag Service Division expenses include $102,838 (2013 – $93,099) for employees whose principal duties involve fundraising.

13 Allocation of expenses

	Adult amputee program $	*At Your Service* publication $	CHAMP program $	Corporate donor program $	PLAYSAFE program $	Prosthetics research and education funding $	Service bureau $	Veterans' issues – Special $	2014 Total $
Occupancy, general office and amortization	30,241	30,241	181,448	30,241	30,241	60,482	211,689	30,241	604,824
Salaries and benefits	166,557	166,557	999,341	166,557	166,557	333,114	1,165,899	166,557	3,331,139
	196,798	196,798	1,180,789	196,798	196,798	393,596	1,377,588	196,798	3,935,963

	Adult amputee program $	*At Your Service* publication $	CHAMP program $	Corporate donor program $	PLAYSAFE program $	Prosthetics research and education funding $	Service bureau $	Veterans' issues – Special $	2013 Total $
Occupancy, general office and amortization	28,943	28,943	173,661	28,943	28,943	57,886	202,604	28,943	578,866
Salaries and benefits	181,849	181,849	1,091,087	181,849	181,849	363,697	1,272,931	181,849	3,636,960
	210,792	210,792	1,264,748	210,792	210,792	421,583	1,475,535	210,792	4,215,826

14 Changes in accounting policy

Effective January 1, 2014, the Association was required to adopt the provisions of Sections 3462 (“Employee future benefits”) and 3463 (“Reporting employee benefits by not-for-profit organizations”) of the Handbook of the Chartered Professional Accountants of Canada. The accrued benefit obligations are now based on an actuarial valuation and actuarial gains and losses, past service costs and other remeasurements are now recognized directly in net assets. Previously, certain actuarial gains and losses, past service costs and other remeasurements were deferred and amortized into net revenue in subsequent years.

In addition, the Association has chosen to determine the accrued benefit obligations based on the most recently completed actuarial valuation prepared for funding purposes of the Key Tag Service Pension Plan. Previously, actuarial valuations prepared specifically for accounting purposes were used.

In accordance with the transitional provisions of these Sections, these changes have been applied retrospectively and prior periods have been restated. Accordingly, the following adjustments were made by the Association on adoption of Section 3463.

	$
Net assets as at December 31, 2012, as previously reported	37,767,289
Adjustment to pension asset	(676,788)
Adjustment to pension liability	(1,322,772)
Opening net assets as at January 1, 2013, as presented	35,767,729
Net expense for the year ended December 31, 2013, as previously reported	(2,358,488)
Adjustment to pension asset	1,972,291
Adjustment to pension liability	312,527
Remeasurements and other items	(1,518,307)
Net expense for the year ended December 31, 2013, as presented	(1,591,977)