

The War Amputations of Canada

Financial Statements
December 31, 2018



Independent auditor's report

To the Members of The War Amputations of Canada

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of The War Amputations of Canada (the Association) as at December 31, 2018 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.

What we have audited

The Association's financial statements comprise:

- the statement of net assets as at December 31, 2018;
- the statement of changes in net assets for the year then ended;
- the statement of revenue and expense for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

In common with many not-for-profit organizations, the Association derives revenue from donations 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 for the year and cash flows from operating activities for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017 and net assets as at the beginning and the end of the years ended December 31, 2018 and 2017. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Independence

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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 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 financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's 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.

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 Association'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 Association'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 Association 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
June 19, 2019

The War Amputations of Canada

Statement of Net Assets

As at December 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash (note 3)	17,469,515	20,734,509
Short-term investments (note 4)	16,539,935	12,033,698
Accounts receivable	801,619	960,261
Key Tag supplies – at cost	388,115	499,205
Prepaid expenses	227,831	218,476
	<u>35,427,015</u>	<u>34,446,149</u>
Capital assets (note 5)	6,666,131	5,739,792
Pension asset (note 6)	-	4,314,629
Assets held for pension liability (note 7)	6,346,893	5,783,733
Other assets (note 8)	222,552	436,752
	<u>48,662,591</u>	<u>50,721,055</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	4,273,986	4,679,966
Pension liability (note 6)	8,114,400	8,914,363
	<u>12,388,386</u>	<u>13,594,329</u>
Net Assets	<u>36,274,205</u>	<u>37,126,726</u>
Net Assets consist of		
Unrestricted	1,394,664	3,158,524
Invested in capital assets	6,666,131	5,739,792
Internally restricted (note 10)	28,060,000	28,080,000
Externally restricted for endowment purposes (note 3)	153,410	148,410
	<u>36,274,205</u>	<u>37,126,726</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, 2018

	Balance – Beginning of year \$	Net revenue (expense) for the year \$	Remeasurements and other items \$	Endowment contributions \$	Transfers from (to) \$	Balance – End of year \$
Unrestricted	3,158,524	3,327,531	(3,528,622)	-	(1,562,769)	1,394,664
Invested in capital assets	5,739,792	(656,430)	-	-	1,582,769	6,666,131
Internally restricted (note 10)	28,080,000	-	-	-	(20,000)	28,060,000
Externally restricted for endowment purposes (note 3)	148,410	-	-	5,000	-	153,410
	<u>37,126,726</u>	<u>2,671,101</u>	<u>(3,528,622)</u>	<u>5,000</u>	<u>-</u>	<u>36,274,205</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, 2018

	2018 \$	2017 \$
Revenue		
Key Tag Service Division – sheltered workshop for the employment of the disabled (note 1)	31,615,301	31,081,443
Bequests	5,298,326	5,269,231
Investment income	376,458	217,320
Donations and miscellaneous	430,269	432,565
	<hr/> 37,720,354	<hr/> 37,000,559
Expense		
Adult amputee program	3,114,169	2,998,448
At Your Service publication	211,211	198,798
CHAMP program	8,062,548	9,202,983
Corporate donor program	240,348	213,088
Directors' meetings	11,955	27,157
DRIVESAFE program	281	186,205
Key Tag Service Division – sheltered workshop for the employment of the disabled (note 1)	16,334,400	14,758,868
Legal and audit	92,766	128,680
Miscellaneous	11,878	173,126
PLAYSAFE program	2,637,557	2,620,557
Prosthetics research and education funding	473,123	469,535
Public awareness	184,980	88,533
Service bureau and advocacy	2,597,150	2,518,678
Special programs	60,681	25,434
Survivors' subsistence grants	10,000	7,000
Veterans' issues – special	426,007	435,323
Video distribution	16,503	23,166
Widows' assistance program	563,696	612,602
	<hr/> 35,049,254	<hr/> 34,688,181
Net revenue for the year	<hr/> 2,671,101	<hr/> 2,312,378

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, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Net revenue for the year	2,671,101	2,312,379
Items not affecting cash		
Amortization of capital assets	600,301	210,558
Loss on disposal of capital assets	56,129	-
Changes in fair value of investments	(28,226)	(168,145)
Pension expense	955,421	907,000
Payments for employment benefits	(969,377)	(1,499,332)
Net change in non-cash working capital items	68,597	512,449
	<u>3,353,946</u>	<u>2,274,909</u>
Investing activities		
Proceeds on sale of investments	3,159,619	12,812,703
Purchase of investments	(8,200,790)	(8,604,888)
Purchase of capital assets	(1,582,769)	(37,740)
	<u>(6,623,940)</u>	<u>4,170,075</u>
Financing activity		
Endowment contributions	5,000	5,000
	<u>5,000</u>	<u>5,000</u>
Net change in cash for the year	(3,264,994)	6,449,984
Cash – Beginning of year	20,734,509	14,284,525
Cash – End of year	<u>17,469,515</u>	<u>20,734,509</u>

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

The War Amputations of Canada

Notes to Financial Statements

December 31, 2018

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 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%

The War Amputations of Canada

Notes to Financial Statements

December 31, 2018

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 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.

The War Amputations of Canada

Notes to Financial Statements

December 31, 2018

Net assets restricted for endowment purposes include gifts to the Association stipulating 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.

	2018 \$	2017 \$
Ed McAndrew	25,000	25,000
Griffith and Christina Lloyd	45,000	40,000
Kerr Estate	53,000	53,000
Lewis Manne	20,000	20,000
Michael Lifshitz	410	410
Robert Elliot	10,000	10,000
	<hr/>	<hr/>
	153,410	148,410

4 Short-term investments

	2018 \$	2017 \$
Cash	1,193,622	462,344
Guaranteed investment certificates	5,000,000	1,500,000
Government of Canada treasury bills	249,659	359,881
Government bonds	9,701,540	9,677,468
Accrued interest	35,001	34,005
Bankers acceptances	360,113	-
	<hr/>	<hr/>
	16,539,935	12,033,698

Guaranteed investment certificates bear interest at fixed rates ranging from 1.55% to 1.75% and mature between 2020 and 2021 (2017 – bear interest at rates ranging from 1.40% to 2.20% and mature between 2017 and 2018).

Government bonds bear interest at fixed rates ranging from 1.35% to 1.90% and mature between 2022 and 2026 (2017 – bear interest at rates ranging from 1.35% to 2.40% and mature between 2022 and 2026).

5 Capital assets

	2018		
	Cost \$	Accumulated amortization \$	Net \$
Land	1,725,546	-	1,725,546
Buildings	9,522,530	5,828,805	3,693,725
Furniture, machinery and equipment	3,853,937	2,623,607	1,230,330
Vehicles	39,183	22,653	16,530
	<hr/>	<hr/>	<hr/>
	15,141,196	8,475,065	6,666,131

The War Amputations of Canada

Notes to Financial Statements

December 31, 2018

	2017		
	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
	<u>15,153,966</u>	<u>9,414,174</u>	<u>5,739,792</u>

6 Employee future benefits

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

	2018			2017		
	Executive Pension Plans \$ (note 7)	Key Tag Service Pension Plan \$	Total \$	Executive Pension Plans \$ (note 7)	Key Tag Service Pension Plan \$	Total \$
Fair value of plan assets	-	29,245,256	29,245,256	-	30,397,518	30,397,518
Accrued benefit obligation	(7,997,807)	(29,361,849)	(37,359,656)	(8,914,363)	(26,082,889)	(34,997,252)
Pension asset (liability)	<u>(7,997,807)</u>	<u>(116,593)</u>	<u>(8,114,400)</u>	<u>(8,914,363)</u>	<u>4,314,629</u>	<u>4,599,734</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).

	2018 \$	2017 \$
Manulife Balanced Fund	3,846,609	3,194,169
Guaranteed investment accounts bearing interest at fixed rates, maturing within five years	<u>2,500,284</u>	<u>2,589,564</u>
	<u>6,346,893</u>	<u>5,783,733</u>

The War Amputations of Canada

Notes to Financial Statements

December 31, 2018

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 (2017 – \$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.

	2018 \$	2017 \$
CHAMP program	28,000,000	28,000,000
Survivors' subsistence grants	60,000	80,000
	<u>28,060,000</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, 2019	221,490
2020	223,923
2021	208,713
2022	187,123
2023	187,123
Thereafter	360,157

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

Key Tag Service Division expenses include \$107,166 (2017 – \$106,781) for employees whose principal duties involve fundraising.

The War Amputations of Canada

Notes to Financial Statements

December 31, 2018

13 Allocation of expenses

	2018								
	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	28,309	28,309	169,846	28,309	28,309	56,615	198,155	28,309	566,161
Salaries and benefits	183,857	183,857	1,103,143	183,857	183,857	367,714	1,287,000	183,857	3,677,142
	212,166	212,166	1,272,989	212,166	212,166	424,329	1,485,155	212,166	4,243,303
	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

