

The War Amputations of Canada

Financial Statements
December 31, 2019



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, 2019 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, 2019;
- 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 revenues from cash donations, 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 revenues, net revenue for the year and cash flows from operating activities for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018 and net assets as at the beginning and the end of the years ended December 31, 2019 and 2018. Our audit opinion on the financial statements for the year ended December 31, 2018 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 scepticism 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
July 14, 2020

The War Amputations of Canada

Statement of Net Assets

As at December 31, 2019

	2019 \$	2018 \$
Assets		
Current assets		
Cash (note 3)	22,584,687	17,469,515
Short-term investments (note 4)	3,346,637	1,803,394
Accounts receivable	1,210,872	801,619
Key Tag supplies – at cost	346,399	388,115
Prepaid expenses	418,059	227,831
	<u>27,906,654</u>	<u>20,690,474</u>
Capital assets (note 5)	7,993,671	6,666,131
Long-term investments (note 4)	14,349,363	14,736,541
Assets held for pension liability (note 7)	6,510,079	6,346,893
Other assets (note 8)	201,890	222,552
	<u>56,961,657</u>	<u>48,662,591</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	3,488,083	4,273,986
Pension liability (note 6)	4,377,785	8,114,400
	<u>7,865,868</u>	<u>12,388,386</u>
Net Assets		
Unrestricted	8,883,708	1,394,664
Invested in capital assets	7,993,671	6,666,131
Internally restricted (note 10)	32,060,000	28,060,000
Externally restricted for endowment purposes (note 3)	158,410	153,410
	<u>49,095,789</u>	<u>36,274,205</u>
	<u>56,961,657</u>	<u>48,662,591</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, 2019

	Balance – Beginning of year \$	Net revenue (expense) for the year \$	Remeasurements and other items \$	Endowment contributions \$	Transfers from (to) \$	Balance – End of year \$
Unrestricted	1,394,664	9,370,570	3,925,544	-	(5,807,070)	8,883,708
Invested in capital assets	6,666,131	(479,530)	-	-	1,807,070	7,993,671
Internally restricted (note 10)	28,060,000	-	-	-	4,000,000	32,060,000
Externally restricted for endowment purposes (note 3)	153,410	-	-	5,000	-	158,410
	<hr/> 36,274,205	<hr/> 8,891,040	<hr/> 3,925,544	<hr/> 5,000	<hr/> -	<hr/> 49,095,789

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

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Statement of Revenue and Expense

For the year ended December 31, 2019

	2019 \$	2018 \$
Revenue		
Key Tag Service Division – sheltered workshop for the employment of the disabled (note 1)	34,372,232	31,615,301
Bequests	7,159,318	5,298,326
Investment income	800,777	376,458
Donations and miscellaneous	472,711	430,269
	<u>42,805,038</u>	<u>37,720,354</u>
Expense		
Adult amputee program	2,859,301	3,114,169
At Your Service publication	219,687	211,211
CHAMP program	7,834,569	8,062,548
Corporate donor program	240,233	240,348
Directors' meetings	48,049	11,955
DRIVESAFE program	206,590	281
Key Tag Service Division – sheltered workshop for the employment of the disabled (note 1)	15,074,908	16,334,400
Legal and audit	103,587	92,766
Miscellaneous	98,934	11,878
PLAYSAFE program	2,547,896	2,637,557
Prosthetics research and education funding	488,991	473,123
Public awareness	96,797	184,980
Service bureau and advocacy	2,892,714	2,597,150
Special programs	70,068	60,681
Survivors' subsistence grants	2,000	10,000
Veterans' issues – special	644,106	426,007
Video distribution	15,527	16,503
Widows' assistance program	470,041	563,696
	<u>33,913,998</u>	<u>35,049,253</u>
Net revenue for the year	<u>8,891,040</u>	<u>2,671,101</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, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Net revenue for the year	8,891,040	2,671,101
Items not affecting cash		
Amortization of capital assets	479,530	600,301
Loss on disposal of capital assets	-	56,129
Changes in fair value of investments	(33,480)	(28,226)
Pension expense	1,192,900	955,421
Payments for employment benefits	(1,003,971)	(969,377)
Change in non-cash working capital items		
Accounts receivable	(409,253)	158,642
Key Tag supplies – at cost	41,716	111,090
Prepaid expenses	(190,227)	(9,355)
Other assets	20,662	214,200
Accounts payable and accrued liabilities	(785,903)	(405,980)
	<u>8,203,014</u>	<u>3,353,946</u>
Investing activities		
Proceeds on sale of investments	4,609,663	3,159,619
Purchase of investments	(5,895,435)	(8,200,790)
Purchase of capital assets	(1,807,070)	(1,582,769)
	<u>(3,092,842)</u>	<u>(6,623,940)</u>
Financing activity		
Endowment contributions	<u>5,000</u>	<u>5,000</u>
Change in cash during the year	5,115,172	(3,264,994)
Cash – Beginning of year	<u>17,469,515</u>	<u>20,734,509</u>
Cash – End of year	<u>22,584,687</u>	<u>17,469,515</u>

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

The War Amputations of Canada

Notes to Financial Statements

December 31, 2019

1 Purpose of the Association 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 (Canada), and is incorporated under the Canada Not-for-profit Corporations Act.

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

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.

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 initially 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

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Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received.

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.

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Notes to Financial Statements

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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.

	2019 \$	2018 \$
Ed McAndrew	25,000	25,000
Griffith and Christina Lloyd	50,000	45,000
Kerr Estate	53,000	53,000
Lewis Manne	20,000	20,000
Michael Lifshitz	410	410
Robert Elliot	10,000	10,000
	<hr/>	<hr/>
	158,410	153,410

4 Investments

	2019 \$	2018 \$
Short-term investments		
Cash	2,380	1,193,622
Guaranteed investment certificates	2,353,949	-
Government of Canada treasury bills	-	249,659
Bankers acceptances	990,308	360,113
	<hr/>	<hr/>
	3,346,637	1,803,394
Long-term investments		
Accrued interest	118,494	35,001
Government bonds	7,340,290	9,701,540
Bankers' acceptances	1,378,297	-
Guaranteed investment certificates	3,657,845	5,000,000
Corporate bonds	1,854,437	-
	<hr/>	<hr/>
	14,349,363	14,736,541

Guaranteed investment certificates bear interest at fixed rates ranging from 1.55% to 2.34% and mature between 2020 and 2022 (2018 – bear interest at rates ranging from 1.55% to 1.75% and mature between 2020 and 2021).

Government bonds bear interest at fixed rates ranging from 1.35% to 1.90% and mature between 2022 and 2026 (2018 – bear interest at rates ranging from 1.35% to 1.90% and mature between 2022 and 2026).

Bankers acceptances bear interest at fixed rates ranging from 1.90% to 3.87% and mature between 2020 and 2028.

Corporate bonds bear interest at fixed rates ranging from 2.35% to 4.19% and mature between 2024 and 2029.

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	2019 \$	2018 \$
Manulife Balanced Fund	4,096,835	3,846,609
Guaranteed investment accounts bearing interest at fixed rates, maturing within five years	2,413,244	2,500,284
	<u>6,510,079</u>	<u>6,346,893</u>

Guaranteed investment accounts bear interest at a fixed rate of 2.80% and mature in 2023 (2018 – bear interest at rates ranging from 2.80% and mature in 2023).

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 (2018 – \$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.

	2019 \$	2018 \$
CHAMP program	32,000,000	28,000,000
Survivors' subsistence grants	60,000	60,000
	<u>32,060,000</u>	<u>28,060,000</u>

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Notes to Financial Statements

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11 Commitments

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

	\$
Year ending December 31, 2020	245,758
2021	229,011
2022	196,356
2023	194,386
2024	93,619
Thereafter	157,903

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

Key Tag Service Division expenses include \$110,127 (2018 – \$107,166) for employees whose principal duties involve fundraising.

13 Financial instruments

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations. The Association does not use derivative financial instruments to manage its risks.

Investment risk

Investments in financial instruments render the Association subject to investment risks. Interest risk is the risk arising from fluctuations in interest rates and their degree of volatility. There is also the risk arising from the failure of a party to a financial instrument to discharge an obligation when it is due. Market risk is the risk to the value of a financial instrument due to fluctuations in market prices, whether these fluctuations are caused by factors specific to the investment itself or to its issuer, or by factors pertinent to all investments on the market.

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Concentration of risk

Concentration of risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political and other conditions, the Association's investments are detailed in notes 4 and 7.

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Currency risk

The Association is exposed to currency risk as the value of financial instruments denominated in US dollars will fluctuate due to changes in the exchange rate. Cash includes \$21,018 (2018 – \$13,243) denominated in US dollars. Investments include \$nil (2018 – \$nil) denominated in US dollars.

14 Subsequent event

Due to developments surrounding the outbreak and containment efforts of the COVID-19 pandemic subsequent to year-end, management is assessing the impact of the pandemic on operations. Given the unprecedented nature of this event, it is difficult to predict the length or breadth of any earnings disruption and market movements in general.

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Notes to Financial Statements

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15 Allocation of expenses

	2019								
	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	28,710	28,710	172,258	28,710	28,710	57,419	200,968	28,710	574,194
Salaries and benefits	190,977	190,977	1,145,862	190,977	190,977	381,954	1,336,839	190,977	3,819,540
	219,687	219,687	1,318,120	219,687	219,687	439,373	1,537,807	219,687	4,393,734
	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