

The War Amputations of Canada

Financial Statements
**December 31, 2012, December 31, 2011
and January 1, 2011**



August 14, 2013

Independent Auditor's Report

**To the Members of
The War Amputations of Canada**

Report on the financial statements

We have audited the accompanying financial statements of The War Amputations of Canada, which comprise the statements of net assets as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of changes in net assets, revenue and expense and cash flows for the years ended December 31, 2012 and 2011, 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 audits. We conducted our audits 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 in our audits 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 for the year and cash flows from operations for the years ended December 31, 2012 and 2011, current assets and net assets as at December 31, 2012, December 31, 2011 and January 1, 2011.

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, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other legal and regulatory requirements

As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a consistent basis for all periods presented.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

The War Amputations of Canada

Statements of Net Assets

	December 31, 2012 \$	December 31, 2011 \$	January 1, 2011 \$
Assets			
Current assets			
Cash and cash equivalents (note 3)	17,176,099	21,250,819	19,072,252
Short-term investments (note 4)	14,394,143	11,171,794	11,003,910
Accounts receivable	584,524	568,689	462,828
Key Tag supplies – at cost	338,840	383,991	336,778
Prepaid expenses	191,073	194,175	184,464
	<u>32,684,679</u>	<u>33,569,468</u>	<u>31,060,232</u>
Capital assets (note 5)	5,551,570	5,641,841	6,012,048
Pension asset (note 6)	1,822,732	1,958,111	1,633,500
Assets held for pension liability (note 7)	5,759,985	5,639,712	5,722,591
Other assets (note 8)	515,802	404,769	448,692
	<u>46,334,768</u>	<u>47,213,901</u>	<u>44,877,063</u>
Liabilities			
Current liability			
Accounts payable and accrued liabilities (note 9)	2,371,020	2,380,862	2,336,404
Pension liability (note 6)	6,196,459	5,467,088	5,257,833
	<u>8,567,479</u>	<u>7,847,950</u>	<u>7,594,237</u>
Net assets	<u>37,767,289</u>	<u>39,365,951</u>	<u>37,282,826</u>
Net assets are comprised of:			
Unrestricted	1,384,549	2,826,110	2,855,778
Invested in capital assets	5,551,570	5,641,841	6,012,048
Internally restricted (note 10)	30,708,000	30,780,000	28,302,000
Externally restricted for endowment purposes (note 3)	123,170	118,000	113,000
	<u>37,767,289</u>	<u>39,365,951</u>	<u>37,282,826</u>

Approved by the Board of Directors

_____ Director _____ Director

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

The War Amputations of Canada
Statements of Changes in Net Assets
For the years ended December 31, 2012 and 2011

	Balance – January 1, 2011 \$	Net revenue (expense) for the year ended December 31, 2011 \$	Endowment contributions \$	Transfers from (to) \$	Balance – December 31, 2011 \$	Net expense for the year ended December 31, 2012 \$	Endowment contributions \$	Transfers from (to) \$	Balance – December 31, 2012 \$
Unrestricted	2,855,778	2,628,510	–	(2,658,178)	2,826,110	(1,290,772)	–	(150,789)	1,384,549
Invested in capital assets	6,012,048	(550,385)	–	180,178	5,641,841	(313,060)	–	222,789	5,551,570
Internally restricted (note 10)	28,302,000	–	–	2,478,000	30,780,000	–	–	(72,000)	30,708,000
Externally restricted for endowment purposes (note 8)	113,000	–	5,000	–	118,000	–	5,170	–	123,170
	<u>37,282,826</u>	<u>2,078,125</u>	<u>5,000</u>	<u>–</u>	<u>39,365,951</u>	<u>(1,603,832)</u>	<u>5,170</u>	<u>–</u>	<u>37,767,289</u>

The War Amputations of Canada
Statements of Revenue and Expense
For the years ended December 31, 2012 and 2011

	2012	2011
	\$	\$
Revenue		
Key Tag Service Division – sheltered workshop for the employment of the disabled	28,478,627	28,173,384
Bequests	2,501,961	4,860,988
Investment income	338,887	445,024
Donations and miscellaneous	276,727	280,798
	<u>31,596,202</u>	<u>33,760,194</u>
Expense		
Adult amputee program	2,285,424	2,092,133
<i>At Your Service</i> publication	187,933	165,463
Benevolent grants	22,927	23,003
Branch operations	193,730	192,123
Bursaries	64,000	61,500
CHAMP program	8,148,055	7,878,220
Corporate donor program	211,789	179,521
Directors' meetings	125,600	170,469
DRIVESAFE program	209,243	194,410
Education and meetings	65,241	76,680
Key Tag Service Division – sheltered workshop for the employment of the disabled (note 1)	14,450,635	13,900,587
Legal and audit	109,845	120,793
Miscellaneous	125,872	65,931
PLAYSAFE program	2,459,681	2,496,556
Prosthetics research and education funding	430,896	379,387
Public awareness	65,126	53,999
Service bureau	2,292,783	1,887,987
Sick visiting	5,257	7,076
Special programs	131,842	127,063
Survivors' subsistence grants	23,000	22,000
Veterans' issues – special	299,646	276,443
Video distribution	103,095	68,797
Widows' assistance program	1,188,414	1,241,928
	<u>33,200,034</u>	<u>31,682,069</u>
Net revenue (expense) for the year (note 2)	<u>(1,603,832)</u>	<u>2,078,125</u>

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

The War Amputations of Canada

Statements of Cash Flows

For the years ended December 31, 2012 and 2011

	2012 \$	2011 \$
Cash flows from (used in)		
Operating activities		
Net revenue (expense) for the year	(1,603,832)	2,078,125
Items not affecting cash –		
Amortization of capital assets	307,249	320,907
Loss on disposal of capital assets	5,811	229,478
Change in fair value on investments	1,544	2,660
Pension expense	1,684,844	790,632
Payments for employment benefits	(820,094)	(905,988)
Net change in non-cash working capital items	22,576	(152,551)
	<u>(401,902)</u>	<u>2,363,263</u>
Investing activities		
Proceeds on sale of investments	14,526,354	32,087,140
Purchases of investments	(17,981,553)	(32,096,658)
Purchases of capital assets	(222,789)	(180,178)
	<u>(3,677,988)</u>	<u>(189,696)</u>
Financing activity		
Endowment contributions	5,170	5,000
	<u>(4,074,720)</u>	<u>2,178,567</u>
Net change in cash for the year	(4,074,720)	2,178,567
Cash and cash equivalents – Beginning of year	21,250,819	19,072,252
Cash and cash equivalents – End of year	17,176,099	21,250,819

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

The War Amputations of Canada

Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

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.

As a registered charity, the Association is exempt from income taxes under subsection 149(1)(f) of the Income Tax Act, and as a federal non-profit corporation, the Association is governed by Part II of the Canada 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.

The War Amputations of Canada

Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

2 Significant accounting policies

Basis of presentation

Effective January 1, 2012, the Association elected to adopt Canadian accounting standards for not-for-profit organizations ("Part III" of the Handbook of the Canadian Institute of Chartered Accountants) as issued by the Canadian Accounting Standards Board. Subject to certain transition elections, the accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect. The following adjustments and elections were made by the Association on transition to Part III:

	Net assets as at December 31, 2010, as previously reported \$	Remeasurement of pension asset \$	Remeasurement of pension liability \$	Opening net assets as at January 1, 2011, under Part III \$
Unrestricted	2,836,346	80,562	(61,130)	2,855,778
Invested in capital assets	6,012,048	—	—	6,012,048
Internally restricted (note 10)	28,302,000	—	—	28,302,000
Externally restricted for endowment purposes (note 3)	113,000	—	—	113,000
	<u>37,263,394</u>	<u>80,562</u>	<u>(61,130)</u>	<u>37,282,826</u>

				\$
Net revenue for the year ended December 31, 2011, as previously reported				2,071,793
Remeasurement of employee future benefits				<u>6,332</u>
Net revenue for the year ended December 31, 2011, under Part III				<u>2,078,125</u>

Under Part III, the Association has chosen to use a "corridor" approach for its defined benefit pension plans that leaves some actuarial gains and losses unrecognized. Upon transition to Part III, the Association elected to carry forward unrecognized actuarial gains and losses and past service costs that were determined under previous accounting standards, but was required to recognize the unamortized transitional assets and obligations determined under previous accounting standards, which arose when new accounting policies were adopted during the year ended December 31, 2000, in opening net assets. Prior to the transition, the Association amortized the transitional assets and obligations, on a straight-line basis over the average remaining service period of active employees expected to receive benefits under the related plan. Under Part III, the carrying values of the pension asset and the pension liability have been increased by \$80,562 and \$61,130, as at January 1, 2011, respectively, and net revenue for the year ended December 31, 2011, has been increased by \$6,332.

The War Amputations of Canada

Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

The transition to Part III had no significant impact on the statement of cash flows.

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.

Cash equivalents

Units held in a capital management fund are considered cash equivalents as they are short-term, highly liquid investments that are not subject to significant changes in value.

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"). The plan provides benefits based on length of service and final average earnings. The Association funds its share of the Key Tag Service Pension Plan. The related accrued benefit obligation is actuarially determined based on the most recent actuarial valuation report prepared for accounting purposes. The cumulative difference between the provision for pension costs and funding contributions is shown as a pension asset on the balance sheet.

The War Amputations of Canada

Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

Certain members of senior management are members of various unfunded defined benefit pension plans (“Executive Pension Plans”) with benefits paid by the Association. Pension benefits are based on a fixed percentage of final earnings offset by pensions provided by other plans of the Association. The related accrued benefit obligation is actuarially determined based on the most recent actuarial valuation report prepared for accounting purposes.

The Association has adopted the following policies with respect to its defined benefit pension plans:

- i) Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of active members expected to receive benefits under the plan.
- ii) The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of the plan assets is amortized over the average remaining service period of active employees expected to receive benefits under the plan.

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 depreciation 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 and cash equivalents

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, 2012, December 31, 2011 and January 1, 2011

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:

	December 31, 2012 \$	December 31, 2011 \$	January 1, 2011 \$
Ed McAndrew	25,000	25,000	25,000
Griffith and Christina Lloyd	15,000	10,000	5,000
Kerr Estate	53,000	53,000	53,000
Lewis Manne	20,000	20,000	20,000
Michael Lifshitz	170	—	—
Robert Elliot	10,000	10,000	10,000
	<hr/>	<hr/>	<hr/>
	123,170	118,000	113,000

4 Short-term investments

	December 31, 2012 \$	December 31, 2011 \$	January 1, 2011 \$
Cash (bank indebtedness)	(30,033)	7,122	80,675
Guaranteed investment certificates	6,000,000	3,000,000	3,000,000
Government bonds	—	—	7,702,153
Government of Canada treasury bills	8,319,738	8,130,448	—
Accrued interest	73,472	34,224	216,951
Other	30,966	—	4,131
	<hr/>	<hr/>	<hr/>
	14,394,143	11,171,794	11,003,910

Guaranteed investment certificates bear interest at fixed rates ranging from 1.8% to 2.6% and mature between 2013 and 2014 (December 31, 2011 – bear interest at prime less 1.8% and mature in 2012; January 1, 2011 – bear interest at 3.4% and mature in 2011).

Government of Canada treasury bills mature in 2013 (December 31, 2011 – 2012).

The War Amputations of Canada

Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

5 Capital assets

	December 31, 2012		
	Cost \$	Accumulated amortization \$	Net \$
Land	1,725,546	–	1,725,546
Buildings	8,321,582	4,882,114	3,439,468
Furniture, machinery and equipment	4,404,089	4,035,027	369,062
Vehicles	41,467	23,973	17,494
	14,492,684	8,941,114	5,551,570

	December 31, 2011		
	Cost \$	Accumulated amortization \$	Net \$
Land	1,725,546	–	1,725,546
Buildings	8,128,309	4,703,418	3,424,891
Furniture, machinery and equipment	4,463,126	3,995,047	468,079
Vehicles	41,467	18,142	23,325
	14,358,448	8,716,607	5,641,841

	January 1, 2011		
	Cost \$	Accumulated amortization \$	Net \$
Land	1,725,546	–	1,725,546
Buildings	8,190,609	4,639,949	3,550,660
Furniture, machinery and equipment	4,798,862	4,094,120	704,742
Vehicles	41,467	10,367	31,100
	14,756,484	8,744,436	6,012,048

The War Amputations of Canada

Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

6 Employee future benefits

Extrapolations of actuarial reports prepared as at January 1, 2011 (January 1, 2011 – January 1, 2008) indicated the following information as at the measurement dates indicated:

	December 31, 2012		December 31, 2011		January 1, 2011	
	Executive Pension Plans (note 7) \$	Key Tag Service Pension Plan \$	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	–	17,187,749	–	14,761,544	–	14,697,785
Accrued benefit obligation	(9,293,257)	(22,436,329)	(6,645,506)	(16,295,734)	(5,904,592)	(15,078,097)
Deficit	(9,293,257)	(5,248,580)	(6,645,506)	(1,534,190)	(5,904,592)	(380,312)
Unamortized amounts	3,096,798	7,071,312	1,178,418	3,492,301	646,759	2,013,812
Pension asset (liability)	(6,196,459)	1,822,732	(5,467,088)	1,958,111	(5,257,833)	1,663,500

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):

	December 31, 2012 \$	December 31, 2011 \$	January 1, 2011 \$
Manulife Balanced Fund	2,757,174	2,518,996	2,619,188
Guaranteed investment accounts bearing interest at fixed rates, maturing within five years	3,002,811	3,120,716	3,103,403
	5,759,985	5,639,712	5,722,591

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.

The War Amputations of Canada

Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

9 Government remittances

Workers' safety insurance premiums of \$742 (December 31, 2011 – \$nil; January 1, 2011 – \$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.

	December 31, 2012 \$	December 31, 2011 \$	January 1, 2011 \$
CHAMP program	30,500,000	30,500,000	28,000,000
Survivors' subsistence grants	208,000	280,000	302,000
	<u>30,708,000</u>	<u>30,780,000</u>	<u>28,302,000</u>

11 Commitments

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

	\$
Year ending December 31, 2013	170,974
2014	169,645
2015	150,006
2016	47,095
2017	2,922

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

Key Tag Service Division expenses include \$68,983 (2011 – \$79,608) for employees whose principal duties involve fundraising.

The War Amputations of Canada

Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

13 Allocation of expenses

	2012								
	Adult amputee program \$	<i>At Your Service publication</i> \$	CHAMP program \$	Corporate donor program \$	PLAYSAFE program \$	Prosthetics research and education funding \$	Service bureau \$	Veterans' issues – special \$	Total \$
Occupancy, general office and depreciation	26,732	26,732	160,385	26,732	26,732	53,461	187,115	26,732	534,621
Salaries and benefits	161,201	161,201	967,208	161,201	161,201	322,403	1,128,409	161,201	3,224,025
	187,933	187,933	1,127,593	187,933	187,933	375,864	1,315,524	187,933	3,758,646
	2011								
	Adult amputee program \$	<i>At Your Service publication</i> \$	CHAMP program \$	Corporate donor program \$	PLAYSAFE program \$	Prosthetics research and education funding \$	Service bureau \$	Veterans' issues – special \$	Total \$
Occupancy, general office and depreciation	33,022	33,022	198,123	33,022	33,022	66,041	231,143	33,022	660,417
Salaries and benefits	132,441	132,441	794,648	132,441	132,441	264,883	927,089	132,441	2,648,825
	165,463	165,463	992,771	165,463	165,463	330,924	1,158,232	165,463	3,309,242