

The War Amputations of Canada

Financial Statements
December 31, 2013



June 25, 2014

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 statement of net assets as at December 31, 2013 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 expense and cash flows from operations for the years ended December 31, 2013 and 2012, current assets as at December 31, 2013 and 2012 and net assets as at January 1 and December 31 for both the 2013 and 2012 years. Our audit opinion on the financial statements for the year ended December 31, 2012 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, 2013 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.

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

Statement of Net Assets

As at December 31, 2013

	2013 \$	2012 \$
Assets		
Current assets		
Cash and cash equivalents (note 3)	16,688,076	17,176,099
Short-term investments (note 4)	12,933,873	14,394,143
Accounts receivable	491,345	584,524
Key Tag supplies – at cost	298,050	338,840
Prepaid expenses	143,132	191,073
	<u>30,554,476</u>	<u>32,684,679</u>
Capital assets (note 5)	5,641,209	5,551,570
Pension asset (note 6)	2,188,653	1,822,732
Assets held for pension liability (note 7)	5,898,747	5,759,985
Other assets (note 8)	554,476	515,802
	<u>44,837,561</u>	<u>46,334,768</u>
Liabilities		
Current liability		
Accounts payable and accrued liabilities (note 9)	2,652,795	2,371,020
Pension liability (note 6)	6,770,725	6,196,459
	<u>9,423,520</u>	<u>8,567,479</u>
Net assets	<u>35,414,041</u>	<u>37,767,289</u>
Net assets are comprised of –		
Unrestricted	1,470,422	1,384,549
Invested in capital assets	5,641,209	5,551,570
Internally restricted (note 10)	28,174,000	30,708,000
Externally restricted for endowment purposes (note 3)	128,410	123,170
	<u>35,414,041</u>	<u>37,767,289</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

Statement of Changes in Net Assets

For the year ended December 31, 2013

	Balance – Beginning of year \$	Net expense for the year \$	Endowment contributions \$	Transfers from (to) \$	Balance – End of year \$
Unrestricted	1,384,549	(1,937,949)	–	2,023,822	1,470,422
Invested in capital assets	5,551,570	(420,539)	–	510,178	5,641,209
Internally restricted (note 10)	30,708,000	–	–	(2,534,000)	28,174,000
Externally restricted for endowment purposes (note 3)	123,170	–	5,240	–	128,410
	<u>37,767,289</u>	<u>(2,358,488)</u>	<u>5,240</u>	<u>–</u>	<u>35,414,041</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, 2013

	2013 \$	2012 \$
Revenue		
Key Tag Service Division – sheltered workshop for the employment of the disabled	28,450,714	28,478,627
Bequests	3,036,508	2,501,961
Investment income (loss)	(335,599)	338,887
Donations and miscellaneous	257,799	276,727
	<u>31,409,422</u>	<u>31,596,202</u>
Expense		
Adult amputee program	2,374,887	2,285,424
<i>At Your Service</i> publication	210,792	187,933
Benevolent grants	7,814	22,927
Branch operations	191,208	193,730
Bursaries	63,500	64,000
CHAMP program	8,567,052	8,148,055
Corporate donor program	232,658	211,789
Directors' meetings	155,692	125,600
DRIVESAFE program	203,201	209,243
Education and meetings	52,047	65,241
Key Tag Service Division – sheltered workshop for the employment of the disabled (note 1)	14,755,531	14,450,635
Legal and audit	109,285	109,845
Miscellaneous	77,290	125,872
PLAYSAFE program	2,446,117	2,459,681
Prosthetics research and education funding	480,856	430,896
Public awareness	107,176	65,126
Service bureau	2,079,081	2,292,783
Sick visiting	5,832	5,257
Special programs	72,563	131,842
Survivors' subsistence grants	24,000	23,000
Veterans' issues – special	322,255	299,646
Video distribution	95,773	103,095
Widows' assistance program	1,133,300	1,188,414
	<u>33,767,910</u>	<u>33,200,034</u>
Net expense for the year	<u>(2,358,488)</u>	<u>(1,603,832)</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, 2013

	2013 \$	2012 \$
Cash flows provided by (used in)		
Operating activities		
Net expense for the year	(2,358,488)	(1,603,832)
Items not affecting cash –		
Amortization of capital assets	326,560	307,249
Loss on disposal of capital assets	93,979	5,811
Changes in fair value of investments	657,245	1,544
Pension expense	1,722,003	1,684,844
Payments for employment benefits	(1,513,658)	(820,094)
Net change in non-cash working capital items	463,685	22,576
	<u>(608,674)</u>	<u>(401,902)</u>
Investing activities		
Proceeds on sale of investments	23,416,305	14,526,354
Purchases of investments	(22,790,716)	(17,981,553)
Purchases of capital assets	(510,178)	(222,789)
	<u>115,411</u>	<u>(3,677,988)</u>
Financing activity		
Endowment contributions	5,240	5,170
	<u>(488,023)</u>	<u>(4,074,720)</u>
Net change in cash for the year	(488,023)	(4,074,720)
Cash and cash equivalents – Beginning of year	17,176,099	21,250,819
Cash and cash equivalents – End of year	16,688,076	17,176,099

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

The War Amputations of Canada

Notes to Financial Statements

December 31, 2013

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.

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.

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.

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Notes to Financial Statements

December 31, 2013

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 Key Tag Service Pension 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 statement of net assets.

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.

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Notes to Financial Statements

December 31, 2013

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 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.

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.

	2013 \$	2012 \$
Ed McAndrew	25,000	25,000
Griffith and Christina Lloyd	20,000	15,000
Kerr Estate	53,000	53,000
Lewis Manne	20,000	20,000
Michael Lifshitz	410	170
Robert Elliot	10,000	10,000
	<hr/>	<hr/>
	128,410	123,170
	<hr/>	<hr/>

4 Short-term investments

	2013 \$	2012 \$
Cash (bank indebtedness)	123,742	(30,033)
Guaranteed investment certificates	5,000,000	6,000,000
Government bonds	7,757,293	-
Government of Canada treasury bills	-	8,319,738
Accrued interest	52,838	73,472
Other	-	30,966
	<hr/>	<hr/>
	12,933,873	14,394,143
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Guaranteed investment certificates bear interest at fixed rates ranging from 1.9% to 2.2% and mature between 2014 and 2015 (2012 – bear interest at fixed rates ranging from 1.8% to 2.6% and mature between 2013 and 2014).

Government bonds mature in 2023 (2012 – Government of Canada treasury bills mature in 2013).

5 Capital assets

	2013		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
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
	<hr/> 14,579,191	<hr/> 8,937,982	<hr/> 5,641,209
	2012		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
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
	<hr/> 14,492,684	<hr/> 8,941,114	<hr/> 5,551,570

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6 Employee future benefits

Extrapolations of actuarial reports prepared as at January 1, 2011 indicated the following information as at the measurement dates indicated.

	2013		2012	
	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	–	20,908,996	–	17,187,749
Accrued benefit obligation	(8,701,809)	(22,624,345)	(9,293,257)	(22,436,329)
Deficit	(8,701,809)	(1,715,349)	(9,293,257)	(5,248,580)
Unamortized amounts	1,931,084	3,904,002	3,096,798	7,071,312
Pension asset (liability)	(6,770,725)	2,188,653	(6,196,459)	1,822,732

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).

	2013 \$	2012 \$
Manulife Balanced Fund	2,998,625	2,757,174
Guaranteed investment accounts bearing interest at fixed rates, maturing within five years	2,900,122	3,002,811
	<u>5,898,747</u>	<u>5,759,985</u>

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

Workers' safety insurance premiums of \$nil (2012 – \$742) are included in accounts payable and accrued liabilities.

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Notes to Financial Statements

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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.

	2013	2012
	\$	\$
CHAMP program	28,000,000	30,500,000
Survivors' subsistence grants	174,000	208,000
	<u>28,174,000</u>	<u>30,708,000</u>

11 Commitments

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

	\$
Year ending December 31, 2014	175,554
2015	154,631
2016	51,337
2017	8,830
2018	2,954

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

Key Tag Service Division expenses include \$93,099 (2012 – \$68,983) for employees whose principal duties involve fundraising.

The War Amputations of Canada

Notes to Financial Statements

December 31, 2013

13 Allocation of expenses

	2013								
	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 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
	<u>210,792</u>	<u>210,792</u>	<u>1,264,748</u>	<u>210,792</u>	<u>210,792</u>	<u>421,583</u>	<u>1,475,535</u>	<u>210,792</u>	<u>4,215,826</u>
	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 amortization	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
	<u>187,933</u>	<u>187,933</u>	<u>1,127,593</u>	<u>187,933</u>	<u>187,933</u>	<u>375,864</u>	<u>1,315,524</u>	<u>187,933</u>	<u>3,758,646</u>