

# **The War Amputations of Canada**

Financial Statements  
**December 31, 2016**



June 22, 2017

## **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 ("the Association"), which comprise the statement of net assets as at December 31, 2016 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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*PricewaterhouseCoopers LLP*  
99 Bank Street, Suite 800, Ottawa, Ontario, Canada K1P 1E4  
T: +1 613 237 3702, F: +1 613 237 3963



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 (expense) and cash flows from operations for the years ended December 31, 2016 and 2015, current assets as at December 31, 2016 and 2015 and net assets as at the beginning and the end of the years ended December 31, 2016 and 2015. Our audit opinion on the financial statements for the year ended December 31, 2015 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, 2016 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, 2016

	2016 \$	2015 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash (note 3)	14,284,525	15,957,282
Short-term investments (note 4)	16,025,590	14,745,394
Accounts receivable	788,193	525,265
Key Tag supplies, at cost	392,928	357,418
Prepaid expenses	192,771	203,250
	<u>31,684,007</u>	<u>31,788,609</u>
<b>Capital assets</b> (note 5)	5,912,610	5,523,403
<b>Pension asset</b> (note 6)	4,160,160	2,746,136
<b>Assets held for pension liability</b> (note 7)	5,831,511	5,849,460
<b>Other assets</b> (note 8)	434,008	443,976
	<u>48,022,296</u>	<u>46,351,584</u>
<b>Liabilities</b>		
<b>Current liability</b>		
Accounts payable and accrued liabilities (note 9)	3,860,723	2,767,921
<b>Pension liability</b> (note 6)	8,326,808	8,041,758
	<u>12,187,531</u>	<u>10,809,679</u>
<b>Net Assets</b>	<u>35,834,765</u>	<u>35,541,905</u>
<b>Net assets are comprised of -</b>		
Unrestricted	1,698,745	1,740,092
Invested in capital assets	5,912,610	5,523,403
Internally restricted (note 10)	28,080,000	28,140,000
Externally restricted for endowment purposes (note 3)	143,410	138,410
	<u>35,834,765</u>	<u>35,541,905</u>
<b>Commitments</b> (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, 2016

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	Balance - Beginning of year \$	Net revenue (expense) for the year \$	Remeasurements and other items \$	Endowment contributions \$	Transfers from (to) \$	Balance - End of year \$
<b>Unrestricted</b>	1,740,092	117,496	574,804	-	(733,647)	1,698,745
<b>Invested in capital assets</b>	5,523,403	(404,440)	-	-	793,647	5,912,610
<b>Internally restricted</b> (note 10)	28,140,000	-	-	-	(60,000)	28,080,000
<b>Externally restricted for endowment purposes</b> (note 3)	138,410	-	-	5,000	-	143,410
	<u>35,541,905</u>	<u>(286,944)</u>	<u>574,804</u>	<u>5,000</u>	<u>-</u>	<u>35,834,765</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, 2016

	2016 \$	2015 \$
<b>Revenue</b>		
Key Tag Service Division - Sheltered workshop for the employment of the disabled (note 1)	30,491,871	30,134,930
Bequests	4,922,725	3,729,600
Investment income	220,312	345,510
Donations and miscellaneous	172,644	574,338
	<u>35,807,552</u>	<u>34,784,378</u>
<b>Expense</b>		
Adult amputee program	3,559,388	2,776,085
<i>At Your Service</i> publication	218,035	218,233
Branch operations	185,561	185,427
Bursaries	59,500	65,000
CHAMP program	9,438,290	8,797,666
Corporate donor program	232,372	251,135
Directors' meetings	69,354	98,532
DRIVESAFE program (recovery)	(90)	185,258
Education and meetings	43,780	41,569
Key Tag Service Division - Sheltered workshop for the employment of the disabled (note 1)	15,107,013	14,731,708
Legal and audit	91,361	98,636
Miscellaneous	82,001	50,121
PLAYSAFE program	2,657,710	2,618,968
Prosthetics research and education funding	489,492	507,322
Public awareness	78,937	83,387
Service bureau	2,611,010	2,061,488
Sick visiting	3,431	4,162
Special programs	81,680	72,818
Survivors' subsistence grants	12,000	19,000
Veterans' issues - special	377,009	341,536
Video distribution	15,086	23,817
Widows' assistance program	681,576	865,982
	<u>36,094,496</u>	<u>34,097,850</u>
<b>Net revenue (expense) for the year</b>	<u>(286,944)</u>	<u>686,528</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, 2016

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	2016 \$	2015 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net revenue (expense) for the year	(286,944)	686,528
Items not affecting cash -		
Amortization of capital assets	383,367	306,016
Loss on disposal of capital assets	21,073	6,465
Changes in fair value of investments	228,044	(283,806)
Pension expense	941,541	917,134
Payments for employment benefits	(1,495,711)	(1,450,889)
Net change in non-cash working capital items	804,843	403,608
	<hr/> 596,213	<hr/> 585,056
<b>Investing activities</b>		
Proceeds on sale of investments	60,588,011	32,643,331
Purchase of investments	(62,068,334)	(35,895,210)
Purchase of capital assets	(793,647)	(347,972)
	<hr/> (2,273,970)	<hr/> (3,599,851)
<b>Financing activity</b>		
Endowment contributions	5,000	5,000
	<hr/> 5,000	<hr/> 5,000
<b>Net change in cash for the year</b>	(1,672,757)	(3,009,795)
<b>Cash - Beginning of year</b>	15,957,282	18,967,077
<b>Cash - End of year</b>	<hr/> 14,284,525	<hr/> 15,957,282

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

# The War Amputations of Canada

## Notes to Financial Statements

December 31, 2016

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### 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 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 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%



# The War Amputations of Canada

## Notes to Financial Statements

December 31, 2016

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### **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 rerevaluations and other items, is included in net revenue (expense) for the year. Actuarial gains and losses, past service costs and other rerevaluations 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.

# The War Amputations of Canada

## Notes to Financial Statements

December 31, 2016

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### 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.

	2016 \$	2015 \$
Ed McAndrew	25,000	25,000
Griffith and Christina Lloyd	35,000	30,000
Kerr Estate	53,000	53,000
Lewis Manne	20,000	20,000
Michael Lifshitz	410	410
Robert Elliot	10,000	10,000
	<hr/>	<hr/>
	143,410	138,410
	<hr/>	<hr/>

### 4 Short-term investments

	2016 \$	2015 \$
Cash	32,053	344,050
Guaranteed investment certificates	6,000,000	5,000,000
Government of Canada treasury bills	59,939	-
Government bonds	9,775,910	9,290,764
Accrued interest	154,188	98,758
Other	3,500	11,822
	<hr/>	<hr/>
	16,025,590	14,745,394
	<hr/>	<hr/>

Guaranteed investment certificates bear interest at fixed rates ranging from 1.4% to 2.2% and mature between 2017 and 2018 (2015 - bear interest at rates ranging from 1.9% to 2.2% and mature between 2016 and 2017).

Government bonds bear interest at fixed rates ranging from 1.35% to 2.40% and mature between 2022 and 2026 (2015 - bear interest at ranging from 1.25% to 1.95% and mature between 2020 and 2025).

# The War Amputations of Canada

## Notes to Financial Statements

December 31, 2016

### 5 Capital assets

	<b>2016</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Land	1,725,546	-	1,725,546
Buildings	9,153,951	5,475,560	3,678,391
Furniture, machinery and equipment	4,197,545	3,718,259	479,286
Vehicles	39,183	9,796	29,387
	<b>15,116,225</b>	<b>9,203,615</b>	<b>5,912,610</b>
	<b>2015</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Land	1,725,546	-	1,725,546
Buildings	8,672,554	5,264,634	3,407,920
Furniture, machinery and equipment	4,256,985	3,882,424	374,561
Vehicles	36,446	21,070	15,376
	<b>14,691,531</b>	<b>9,168,128</b>	<b>5,523,403</b>

### 6 Employee future benefits

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

	<b>2016</b>		<b>2015</b>	
	<b>Executive</b>	<b>Key Tag</b>	<b>Executive</b>	<b>Key Tag</b>
	<b>Pension Plans</b>	<b>Service</b>	<b>Pension Plans</b>	<b>Service</b>
	(note 7)	<b>Pension Plan</b>	(note 7)	<b>Pension Plan</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Fair value of plan assets	-	27,541,022	-	24,646,074
Accrued benefit obligation	(8,326,808)	(23,380,862)	(8,041,758)	(21,899,938)
Pension asset (liability)	(8,326,808)	4,160,160	(8,041,758)	2,746,136

# The War Amputations of Canada

## Notes to Financial Statements

December 31, 2016

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### 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).

	2016 \$	2015 \$
Manulife Balanced Fund	3,147,834	3,094,086
Guaranteed investment accounts bearing interest at fixed rates, maturing within five years	2,683,677	2,755,374
	<u>5,831,511</u>	<u>5,849,460</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

Government remittances of \$nil (2015 - \$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.

	2016 \$	2015 \$
CHAMP program	28,000,000	28,000,000
Survivors' subsistence grants	80,000	140,000
	<u>28,080,000</u>	<u>28,140,000</u>

# The War Amputations of Canada

Notes to Financial Statements

December 31, 2016

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## 11 Commitments

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

	\$
Year ending December 31, 2017	198,765
2018	182,801
2019	153,205
2020	150,329
2021	87,325
Thereafter	500,397

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

Key Tag Service Division expenses include \$104,760 (2015 - \$103,336) for employees whose principal duties involve fundraising.

# The War Amputations of Canada

Notes to Financial Statements

December 31, 2016

## 13 Allocation of expenses

									2016
	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	31,074	31,074	186,442	31,074	31,074	62,147	217,516	31,074	621,475
Salaries and benefits	186,961	186,961	1,121,766	186,961	186,961	373,922	1,308,727	186,961	3,739,220
	218,035	218,035	1,308,208	218,035	218,035	436,069	1,526,243	218,035	4,360,695
									2015
	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	27,741	27,741	166,440	27,741	27,741	55,482	194,180	27,741	554,807
Salaries and benefits	190,493	190,493	1,142,960	190,493	190,493	380,986	1,333,454	190,493	3,809,865
	218,234	218,234	1,309,400	218,234	218,234	436,468	1,527,634	218,234	4,364,672