

The War Amputations of Canada

Financial Statements
December 31, 2015



July 26, 2016

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, 2015 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 revenue and cash flows from operations for the years ended December 31, 2015 and 2014, current assets as at December 31, 2015 and 2014 and net assets as at the beginning and the end of the years ended December 31, 2015 and 2014. Our audit opinion on the financial statements for the year ended December 31, 2014 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, 2015 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, 2015

	2015 \$	2014 \$
Assets		
Current assets		
Cash (note 3)	15,957,282	18,967,077
Short-term investments (note 4)	14,745,394	11,000,622
Accounts receivable	525,265	556,279
Key Tag supplies, at cost	357,418	347,681
Prepaid expenses	203,250	182,492
	<u>31,788,609</u>	<u>31,054,151</u>
Capital assets (note 5)	5,523,403	5,487,912
Pension asset (note 6)	2,746,136	2,731,530
Assets held for pension liability (note 7)	5,849,460	5,973,695
Other assets (note 8)	443,976	528,828
	<u>46,351,584</u>	<u>45,776,116</u>
Liabilities		
Current liability		
Accounts payable and accrued liabilities (note 9)	2,767,921	2,364,832
Pension liability (note 6)	8,041,758	7,773,753
	<u>10,809,679</u>	<u>10,138,585</u>
Net assets	<u>35,541,905</u>	<u>35,637,531</u>
Net assets are comprised of -		
Unrestricted	1,740,092	1,868,209
Invested in capital assets	5,523,403	5,487,912
Internally restricted (note 10)	28,140,000	28,148,000
Externally restricted for endowment purposes (note 3)	138,410	133,410
	<u>35,541,905</u>	<u>35,637,531</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, 2015

	Balance - Beginning of year \$	Net revenue (expense) for the year \$	Remeasurements and other items \$	Endowment contributions \$	Transfers from (to) \$	Balance - End of year \$
Unrestricted	1,868,209	999,009	(787,154)	-	(339,972)	1,740,092
Invested in capital assets	5,487,912	(312,481)	-	-	347,972	5,523,403
Internally restricted (note 10)	28,148,000	-	-	-	(8,000)	28,140,000
Externally restricted for endowment purposes (note 3)	133,410	-	-	5,000	-	138,410
	<u>35,637,531</u>	<u>686,528</u>	<u>(787,154)</u>	<u>5,000</u>	<u>-</u>	<u>35,541,905</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, 2015

	2015 \$	2014 \$
Revenue		
Key Tag Service Division - Sheltered workshop for the employment of the disabled (note1)	30,134,930	29,717,817
Bequests	3,729,600	3,150,974
Investment income	345,510	808,882
Donations and miscellaneous	574,338	165,652
	<u>34,784,378</u>	<u>33,843,325</u>
Expense		
Adult amputee program	2,776,085	2,372,431
<i>At Your Service</i> publication	218,233	196,798
Branch operations	185,427	192,751
Bursaries	65,000	64,000
CHAMP program	8,797,666	8,301,816
Corporate donor program	251,135	215,205
Directors' meetings	98,532	183,100
DRIVESAFE program	185,258	184,860
Education and meetings	41,569	43,532
Key Tag Service Division - Sheltered workshop for the employment of the disabled (note 1)	14,731,708	14,414,714
Legal and audit	98,636	119,253
Miscellaneous	50,121	80,122
PLAYSAFE program	2,618,968	2,545,969
Prosthetics research and education funding	507,322	492,542
Public awareness	83,387	75,242
Service bureau	2,061,488	2,032,022
Sick visiting	4,162	7,994
Special programs	72,818	129,648
Survivors' subsistence grants	19,000	20,000
Veterans' issues - special	341,536	312,900
Video distribution	23,817	32,698
Widows' assistance program	865,982	978,128
	<u>34,097,850</u>	<u>32,995,725</u>
Net revenue for the year	<u>686,528</u>	<u>847,600</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, 2015

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Net revenue for the year	686,528	847,600
Items not affecting cash -		
Amortization of capital assets	306,016	318,755
Loss on disposal of capital assets	6,465	74,817
Changes in fair value of investments	(283,806)	(329,124)
Pension expense	917,134	1,047,554
Payments for employment benefits	(1,450,889)	(1,216,513)
Net change in non-cash working capital items	403,608	(441,888)
	<hr/> 585,056	<hr/> 301,201
Investing activities		
Proceeds on sale of investments	32,643,331	38,496,010
Purchase of investments	(35,895,210)	(36,282,935)
Purchase of capital assets	(347,972)	(240,275)
	<hr/> (3,599,851)	<hr/> 1,972,800
Financing activity		
Endowment contributions	<hr/> 5,000	<hr/> 5,000
Net change in cash for the year	(3,009,795)	2,279,001
Cash - Beginning of year	<hr/> 18,967,077	<hr/> 16,688,076
Cash - End of year	<hr/> <hr/> 15,957,282	<hr/> <hr/> 18,967,077

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

The War Amputations of Canada

Notes to Financial Statements

December 31, 2015

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

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.

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, 2015

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 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.

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Notes to Financial Statements

December 31, 2015

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.

	2015 \$	2014 \$
Ed McAndrew	25,000	25,000
Griffith and Christina Lloyd	30,000	25,000
Kerr Estate	53,000	53,000
Lewis Manne	20,000	20,000
Michael Lifshitz	410	410
Robert Elliot	10,000	10,000
	<hr/>	<hr/>
	138,410	133,410
	<hr/>	<hr/>

4 Short-term investments

	2015 \$	2014 \$
Cash	344,050	2,053
Guaranteed investment certificates	5,000,000	2,000,000
Government of Canada treasury bills	-	5,991,481
Government bonds	9,290,764	2,954,650
Accrued interest	98,758	52,438
Other	11,822	-
	<hr/>	<hr/>
	14,745,394	11,000,622
	<hr/>	<hr/>

Guaranteed investment certificates bear interest at fixed rates ranging from 1.9% to 2.2% and mature between 2016 and 2017 (2014 - bear interest at 2.2% and mature in 2015).

Government bonds bear interest at rates ranging from 1.25% to 1.95% and mature between 2020 and 2025 (2014 - bear interest at 2.40% and mature in 2023).

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Notes to Financial Statements

December 31, 2015

5 Capital assets

	2015		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
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
	14,691,531	9,168,128	5,523,403
	2014		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land	1,725,546	-	1,725,546
Buildings	8,368,173	5,089,112	3,279,061
Furniture, machinery and equipment	4,270,169	3,807,365	462,804
Vehicles	36,445	15,944	20,501
	14,400,333	8,912,421	5,487,912

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.

	2015		2014	
	Executive	Key Tag	Executive	Key Tag
	Pension Plans	Service	Pension Plans	Service
	(note 7)	Pension Plan	(note 7)	Pension Plan
	\$	\$	\$	\$
Fair value of plan assets	-	24,646,074	-	23,562,991
Accrued benefit obligation	(8,041,758)	(21,899,938)	(7,773,753)	(20,831,461)
Pension asset (liability)	(8,041,758)	2,746,136	(7,773,753)	2,731,530

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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).

	2015 \$	2014 \$
Manulife Balanced Fund	3,094,086	3,136,531
Guaranteed investment accounts bearing interest at fixed rates, maturing within five years	2,755,374	2,837,164
	<u>5,849,460</u>	<u>5,973,695</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 (2014 - \$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.

	2015 \$	2014 \$
CHAMP program	28,000,000	28,000,000
Survivors' subsistence grants	140,000	148,000
	<u>28,140,000</u>	<u>28,148,000</u>

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11 Commitments

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

	\$
Year ending December 31, 2016	144,766
2017	194,052
2018	176,428
2019	144,896
2020	142,432
Thereafter	499,386

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

Key Tag Service Division expenses include \$103,336 (2014 - \$102,838) for employees whose principal duties involve fundraising.

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Notes to Financial Statements

December 31, 2015

13 Allocation of expenses

	2015								
	Adult amputee program \$	At Your Service publication \$	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
	2014								
	Adult amputee program \$	At Your Service publication \$	CHAMP program \$	Corporate donor program \$	PLAYSAFE program \$	Prosthetics research and education funding \$	Service bureau \$	Veterans' issues - Special \$	Total \$
Occupancy, general office and amortization	30,241	30,241	181,448	30,241	30,241	60,482	211,689	30,241	604,824
Salaries and benefits	166,557	166,557	999,341	166,557	166,557	333,114	1,165,899	166,557	3,331,139
	196,798	196,798	1,180,789	196,798	196,798	393,596	1,377,588	196,798	3,935,963