CANADIAN REHABILITATION COUNCIL FOR THE DISABLED

NEW BRUNSWICK BRANCH INCORPORATED

FINANCIAL STATEMENTS

DECEMBER 31, 2016

Shannon & Buffett, LLP
Chartered Professional Accountants

CANADIAN REHABILITATION COUNCIL FOR THE DISABLED

NEW BRUNSWICK BRANCH INCORPORATED

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March 9, 2017

INDEPENDENT AUDITORS' REPORT

To the Members of the Canadian Rehabilitation Council for the Disabled New Brunswick Branch Incorporated:

Report on the Financial Statements

We have audited the accompanying financial statements of Canadian Rehabilitation Council for the Disabled New Brunswick Branch Incorporated which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in net assets, and cash flows for the year then ended, and 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 misstatements, 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 auditors' 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.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, Canadian Rehabilitation Council for the Disabled New Brunswick Branch Incorporated derives part of its earnings from contributions and bequests, the completeness of which is not susceptible to satisfactory audit procedures. Accordingly, our audit of these revenues was limited to the amounts recorded in the records of the Council and we were not able to determine whether any adjustments might be necessary to contributions, revenue and bequests, excess of revenue over expenditures, assets, liabilities and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Canadian Rehabilitation Council for the Disabled New Brunswick Branch Incorporated as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Shannon & Buffett LLP

Chartered Professional Accountants

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CANADIAN REHABILITATION COUNCIL FOR THE DISABLED

NEW BRUNSWICK BRANCH INCORPORATED

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016 WITH COMPARATIVE FIGURES FOR 2015

	2016	2015
ASSETS		
Current:		
Cash	$ 293,979	$ 242,486
Term deposits	213,117	211,056
Accounts receivable	287,454	283,077
Prepaid expenses	11,589	15,160
	806,139	751,779
Restricted cash (note 2)	29,306	19,303
Capital assets (note 3)	8,991	12,540
	$ 844,436	$ 783,622
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (note 4)	$ 92,377	$ 85,752
Trust funds payable	565	565
Deferred revenue	63,905	51,480
	156,847	137,797
NET ASSETS		
Unrestricted net assets	658,283	626,522
Restricted net assets (note 2)	29,306	19,303
	687,589	645,825
	$ 844,436	$ 783,622

See accompanying notes to financial statements.

On Behalf of the Board:

Chair:______________________

CANADIAN REHABILITATION COUNCIL FOR THE DISABLED

NEW BRUNSWICK BRANCH INCORPORATED

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2016 WITH COMPARATIVE FIGURES FOR 2015

	2016	2015
Revenue:		
Fundraising		
- Events and campaigns	$ 56,268	$ 52,975
United way	26,832	26,331
Special projects	88,266	86,774
Department of Social Development grant	52,086	52,086
Department of Social Development project	300,768	319,215
Personal services recoveries	780	2,549
Assistive technology recoveries	569,653	550,621
Camp Rotary operations	419,318	353,325
- We Care grant	49,227	38,168
- President's Choice Children's Charity	-	20,000
Contributions	1,435	1,673
Interest	2,292	3,005
Miscellaneous	9,279	4,651
	1,576,204	1,511,373
Expenditures:		
Administration	104,892	107,535
Promotion and public relations	44,846	35,191
Fundraising	48,175	38,101
Special projects	78,540	64,410
Personal services	120,003	112,044
Department of Social Development project	199,699	186,719
Assistive technology	479,740	472,083
Camp Rotary	458,545	406,169
	1,534,440	1,422,252
Excess of revenue over expenditures, for the year	$ 41,764	$ 89,121

See accompanying notes to financial statements.

CANADIAN REHABILITATION COUNCIL FOR THE DISABLED

NEW BRUNSWICK BRANCH INCORPORATED

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2016 WITH COMPARATIVE FIGURES FOR 2015

	Unrestricted	Restricted	2016	2015
Balance, beginning of year	$ 626,522	$ 19,303	$ 645,825	$ 556,705
Excess of revenue over expenditures	41,761	3	41,764	89,121
Transfers (note 2)	(10,000)	10,000	-	-
Balance, end of year	$ 658,283	$ 29,306	$ 687,589	$ 645,826

See accompanying notes to financial statements.

CANADIAN REHABILITATION COUNCIL FOR THE DISABLED

NEW BRUNSWICK BRANCH INCORPORATED

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016 WITH COMPARATIVE FIGURES FOR 2015

	2016	2015
CASH GENERATED FROM (USED IN):		
OPERATING ACTIVITIES:		
Excess of revenue over expenditures for the year	$ 41,764	$ 89,121
Items not requiring a cash outlay:		
Amortization	3,549	4,970
Loss (gain) on disposal of capital assets	-	720
Net change in current assets and liabilities other than cash:		
Accounts receivable	(4,377)	(100,455)
Prepaid expenses	3,571	7,780
Accounts payable and accrued liabilities	6,625	23,152
Deferred revenue	12,424	(3,908)
	63,556	21,380
INVESTING ACTIVITIES:		
Proceeds of disposal of fixed assets	-	2,500
Additions to capital assets	-	(2,370)
	-	130
INCREASE, in cash	63,556	21,510
CASH, beginning of year	472,846	451,336
CASH, end of year	$ 536,402	$ 472,846
Cash composition:		
Cash	$ 293,979	$ 242,486
Term deposits	213,117	211,056
Restricted cash	29,306	19,303
	$ 536,402	$ 472,845

Description of the organization:

The Canadian Rehabilitation Council for the Disabled New Brunswick Branch Incorporated is the principal New Brunswick agency working in partnership with people with physical disabilities so that they may attain independence and equality of opportunity generally available in the community. The Council operates under the name of Easter Seals N.B.

1. Summary of significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition -

The Council follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. 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. Restricted investment income is recognized as revenue in the year in which the related expenditures are incurred. Unrestricted investment income is recognized as revenue is earned.

(b) Pledges -

The Council does not record pledges as revenue until the funds are received.

(c) Contributed services -

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(d) Cash -

Cash includes cash on hand and cash on deposit with financial institutions.

(e) Capital assets -

Additions to capital assets are recorded at cost. Provision for amortization is made utilizing the declining balance method at a 20% rate for furniture and equipment and 30% for computer equipment and vehicles.

1. **Summary of significant accounting policies (continued):**

(f) **Use of estimates -**

Under Canadian generally accepted accounting principles management is required to make estimates and assumptions to prepare financial statements. These estimates are based on management's best knowledge of current events and actions that the Council may undertake in the future. These estimates and assumptions may affect the amount of assets and liabilities presented as at the reporting date and the reported amount of revenue and expenses during the fiscal period. Significant estimates included in these financial statements pertain to the collectability of receivables and the allocation of expenses. Actual results may differ from the estimates and assumptions used.

(g) **Financial instruments -**

(i) **Measurement of financial instruments**

The Council initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable.

The Council subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations in the period incurred.

Financial assets measured at amortized cost include cash, term deposits, and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, trust funds payable and deferred revenue.

(ii) **Impairment**

At the end of each reporting period the Council assesses whether there are any indications that a financial asset measured at amortized cost may be impaired.

When there is an indication of impairment, the Council determines whether a significant adverse change has occurred during the period in the expected timing or amount of future in cash flows from the financial asset.

When the Council identifies that a significant adverse change in the expected timing of the amount of future cash flows from a financial asset, it reduces the carrying amount of the asset. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the statement of operations.

1. Summary of significant accounting policies (continued):

(f) Financial instruments (continued) -

(ii) Impairment (continued)

When the extent of an impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized the previously recognized impairment loss is reversed to the extent of the improvement directly or by adjusting the allowance account. The amount of the reversal is recognized in the statement of operations in the period the reversal occurs.

(iii) Transaction costs

Transaction costs are recognized in the statement of operations in the period incurred, except for financial instruments that will be subsequently measured at amortized costs.

2. Restricted net assets:

	2016	2015
Camp Rotary:		
Balance, beginning of year	$ 19,303	$ 13,982
Amount transferred to restricted net assets	10,000	5,318
Interest income	3	3
Balance, end of year	$ 29,306	$ 19,303

Under the terms of the operating agreement between Rotary Club of Fredericton and the Council, any surplus resulting from the operating Camp Rotary are to be accounted for as follows:

(a) An amount equal to the surplus or $10,000 whichever is the lesser is paid into a trust account, the principal of which shall be utilized to offset future deficits.

(b) The remaining balance, if any, is to be distributed as follows:
 (i) one third to the Council as a management fee;
 (ii) one third to be used for the following year Camp Rotary program development and
 (iii) one third paid to Camp Rotary Endowment Fund.

2. Restricted net assets (continued):

The Council also credits investment income to the account.

The other restricted amount is an amount restricted by the Donor during their lifetime. Interest only can be expensed during that time.

3. Capital assets:

	Cost	Accumulated Amortization	2016 Net Book Value	2015 Net Book Value
Vehicles	$ 20,338	$ 16,310	$ 4,028	$ 10,248
Furniture and equipment	18,133	13,170	4,963	2,292
	$ 38,471	$ 29,480	$ 8,991	$ 12,540

4. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities is comprised of:

	2016	2015
Trade accounts payable	$ 65,612	$ 51,412
Accrued payroll and benefits	-	12,828
Other accrued liabilities	26,765	21,512
	$ 92,377	$ 85,752

5. Financial instruments:

The Council is exposed to the following various risks though its financial instruments:

Credit risk -

Credit risk is the risk that a party may default on their financial obligations to the Council, or if there is a concentration of transactions carried out with the same party or a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the Council could incur a financial loss.

5. **Financial instruments (continued):**

Credit risk (continued) -

The maximum exposure that the Council has to credit risk as at December 31, is as follows:

	2016	2015
Cash	$ 293,979	$ 242,486
Term deposits	213,117	211,056
Accounts receivable	287,454	283,077
Restricted cash and term deposits	29,306	19,303
	$ 823,856	$ 755,922

Credit risk in cash and term deposits, is minimized by investing in major Canadian financial institutions. Management minimizes credit risk in accounts receivable by dealing with selected known customers and close monitoring of accounts receivable balances. A substantial part of accounts receivable is with the Province of New Brunswick 2016 - $261,472 (2015 - $275,620). Management believes that other credit risk is minimal.

Liquidity risk -

Liquidity risk is the risk that the Council will not be able to meet a demand for cash or fund its obligations as they come due.

The Council meets its liquidity requirements by preparing an annual budget for operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Market risk -

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

Currency risk -

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Council does not normally transact a significant portion of its business in non-Canadian dollars and is not exposed to any significant currency risks.

5. **Financial instruments (continued):**

Interest rate risk -

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with instruments will fluctuate due to changes in market interest rates.

The exposure of the Council to interest rate risk arises from its interest bearing assets. The Council cash includes amounts on deposit with financial institutions that earn interest at market rates. The Council manages its exposure to the interest rate risk on its cash by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day to day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Council's results of operations.

The primary objective of the Council with respect to its term deposits is to ensure the security of principal amounts invested, provide a high degree of liquidity and achieve a satisfactory investment return. The Council manages its interest rate risk exposure on fixed income maturities by investing in a portfolio of varying maturities with differing interest rates.

Other price risk -

Other price risk refers to the risk that the fair value of financial instruments on future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risks or interest risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting similar instruments traded in the market.

The Council is not exposed to any significant price risks.

Changes in risk -

There have been no changes in the Council's risk exposures from the prior year.

6. **Donated equipment:**

During the fiscal year the Canadian Rehabilitation Council for the Disabled New Brunswick Branch Incorporated issued tax receipts in the amount of $23,020 (December 2015 - $Nil) for contributions of equipment. This amount, which represents the fair value of the contributed equipment, is not recorded in the Statement of Operations.

7. **Capital management:**

The Council prepares an operating budget of its operations prior to each fiscal year. The budget is reviewed and approved by the Board. The operating budget includes both budgeted revenues and expenses. Expenditures are budgeted based on anticipated operation levels as well as available funding. Surplus funds are invested in term deposits or GIC's until required.

8. Expense allocation:

Salaries and employee benefits are allocated to programs based on the program the individual is assigned to. Executive and administrative salaries and benefits are allocated based on the estimated amount of time devoted to each program. Most other purchases and expenses are allocated to programs on a direct basis. Rent is allocated based on the percentage of square footage used per program. The Council allocates 48% of total fundraising costs to promotion and public relations.