CANADIAN REHABILITATION COUNCIL FOR THE DISABLED

NEW BRUNSWICK BRANCH INCORPORATED

FINANCIAL STATEMENTS

DECEMBER 31, 2017

Shannon & Buffett, LLP
Chartered Professional Accountants

CANADIAN REHABILITATION COUNCIL FOR THE DISABLED

NEW BRUNSWICK BRANCH INCORPORATED

TABLE OF CONTENTS

DECEMBER 31, 2017

PAGE

FINANCIAL STATEMENTS:

INDEPENDENT AUDITORS' REPORT..1

STATEMENT OF FINANCIAL POSITION..2

STATEMENT OF OPERATIONS..3

STATEMENT OF CHANGES IN NET ASSETS..4

STATEMENT OF CASH FLOWS..5

NOTES TO FINANCIAL STATEMENTS..6 - 12

Shannon & Buffett, LLP
Chartered Professional Accountants

HAL C. BUFFETT, CPA, CA   GARRY L. ARMSTRONG, CPA, CA
CLAUDE LEGER, CPA, CA   RON W. SAUNTRY, CPA, CA

February 25, 2018

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, 2017, 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, 2017, 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

535 BEAVERBROOK CT., SUITE #110   FREDERICTON, N.B.   E3B 1X6
PHONE: (506) 458-9300   FAX: (506) 458-9317

CANADIAN REHABILITATION COUNCIL FOR THE DISABLED

NEW BRUNSWICK BRANCH INCORPORATED

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017 WITH COMPARATIVE FIGURES FOR 2016

	2017	2016
ASSETS		
Current:		
Cash	$ 552,002	$ 293,979
Term deposits	215,079	213,117
Accounts receivable	114,888	287,454
Prepaid expenses	12,667	11,589
	894,636	806,139
Restricted cash (note 2)	39,322	29,306
Capital assets (note 3)	12,924	8,991
	$ 946,882	$ 844,436
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (note 4)	$ 41,356	$ 92,377
Trust funds payable	565	565
Deferred revenue	112,415	63,905
	154,336	156,847
NET ASSETS		
Unrestricted net assets	753,224	658,283
Restricted net assets (note 2)	39,322	29,306
	792,546	687,589
	$ 946,882	$ 844,436

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, 2017 WITH COMPARATIVE FIGURES FOR 2016

	2017	2016
Revenue:		
Fundraising		
- Events and campaigns	$ 58,481	$ 56,268
United way	26,460	26,832
Special projects	66,367	88,266
Department of Social Development grant	52,086	52,086
Department of Social Development project	424,272	300,768
Personal services recoveries	383	780
Assistive technology recoveries	574,554	569,653
Camp Rotary operations	402,081	419,318
- We Care grant	59,691	49,227
- President's Choice Children's Charity	5,013	-
Contributions	2,159	1,435
Interest	2,197	2,292
Miscellaneous	6,418	9,279
	1,680,162	1,576,204
Expenditures:		
Administration	104,251	104,892
Promotion and public relations	49,770	44,846
Fundraising	53,923	48,175
Special projects	37,987	78,540
Personal services	92,610	120,003
Department of Social Development project	261,295	199,699
Assistive technology	518,584	479,740
Camp Rotary	456,785	458,545
	1,575,205	1,534,440
Excess of revenue over expenditures, for the year	$ 104,957	$ 41,764

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, 2017 WITH COMPARATIVE FIGURES FOR 2016

	Unrestricted	Restricted	2017	2016
Balance, beginning of year	$ 658,283	$ 29,306	$ 687,589	$ 645,825
Excess of revenue over expenditures	104,941	16	104,957	41,764
Transfers (note 2)	(10,000)	10,000	-	-
Balance, end of year	$ 753,224	$ 39,322	$ 792,546	$ 687,589

See accompanying notes to financial statements.

CANADIAN REHABILITATION COUNCIL FOR THE DISABLED

NEW BRUNSWICK BRANCH INCORPORATED

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017 WITH COMPARATIVE FIGURES FOR 2016

	2017	2016
CASH GENERATED FROM (USED IN):		
OPERATING ACTIVITIES:		
Excess of revenue over expenditures for the year	$ 104,957	$ 41,764
Items not requiring a cash outlay:		
Amortization	5,420	3,549
Net change in current assets and liabilities other than cash:		
Accounts receivable	172,566	(4,377)
Prepaid expenses	(1,078)	3,571
Accounts payable and accrued liabilities	(51,021)	6,625
Deferred revenue	48,509	12,424
	279,353	63,556
INVESTING ACTIVITIES:		
Additions to capital assets	(9,352)	-
INCREASE, in cash	270,001	63,556
CASH, beginning of year	536,402	472,846
CASH, end of year	$ 806,403	$ 536,402
Cash composition:		
Cash	$ 552,002	$ 293,979
Term deposits	215,079	213,117
Restricted cash	39,322	29,306
	$ 806,403	$ 536,402

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:**

	2017	2016
Camp Rotary:		
Balance, beginning of year	$ 29,306	$ 19,303
Amount transferred to restricted net assets	10,000	10,000
Interest income	16	3
Balance, end of year	$ 39,322	$ 29,306

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	2017 Net Book Value	2016 Net Book Value
Vehicles	$ 29,691	$ 18,230	$ 11,461	$ 4,028
Furniture and equipment	18,133	16,670	1,463	4,963
	$ 47,824	$ 34,900	$ 12,924	$ 8,991

4. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities is comprised of:

	2017	2016
Trade accounts payable	$ 13,703	$ 65,612
Accrued payroll and benefits	-	-
Other accrued liabilities	27,653	26,765
	$ 41,356	$ 92,377

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:

	2017	2016
Cash	$ 552,002	$ 293,979
Term deposits	215,079	213,117
Accounts receivable	114,888	287,454
Restricted cash and term deposits	39,322	29,306
	$ 921,291	$ 823,856

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 2017 - $111,189 (2016 - $261,472). 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 $ nil (December 2016 - $23,020) 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.