CANADIAN REHABILITATION COUNCIL FOR THE DISABLED

NEW BRUNSWICK BRANCH INCORPORATED

FINANCIAL STATEMENTS

DECEMBER 31, 2020

Shannon & Buffett, LLP
Chartered Professional Accountants

CANADIAN REHABILITATION COUNCIL FOR THE DISABLED

NEW BRUNSWICK BRANCH INCORPORATED

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

INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the financial statements of Canadian Rehabilitation Council for the Disabled New Brunswick Branch Incorporated (the "Council"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Council derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of those revenues was limited to the amounts recorded in the records of the Council. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenue over expenditures, or cash flows from operations for the years ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019, and net assets as at January 1 and December 31 for both the 2020 and 2019 years.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information (Annual Report)

It is understood that the audited financial statements may be used in the Council's annual report. Managements responsibility is to ensure that if the financial statements are used in the annual report that the full and complete set of financial statements are included, this includes the independent auditors report, statement of operations, statement of financial position and changes in net assets, statement of cash flows and the notes to the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Enterprises, 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.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit 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 Council's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern; if we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the Council's activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Shannon & Buffett LLP

Shannon & Buffett, LLP
Chartered Professional Accountants
March 18, 2021

CANADIAN REHABILITATION COUNCIL FOR THE DISABLED

NEW BRUNSWICK BRANCH INCORPORATED

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020 WITH COMPARATIVE FIGURES FOR 2019

	2020	2019
ASSETS		
Current:		
Cash	$ 748,917	$ 653,326
Guaranteed investment certificates	112,613	220,486
Accounts receivable	135,154	116,400
Prepaid expenses	17,055	27,415
	1,013,739	1,017,627
Guaranteed investment certificates	110,571	-
Restricted cash (note 3)	146,938	48,009
Restricted investments (note 3)	197,433	-
Capital assets (note 4)	1,539,976	6,534
	$ 3,008,657	$ 1,072,170
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (note 5)	$ 45,668	$ 50,109
Trust funds payable	565	565
Deferred revenue	158,993	111,682
	205,226	162,356
Deferred contributions for capital purposes (note 6)	1,509,000	-
Long term debt (note 7)	30,000	-
	1,744,226	162,356
NET ASSETS		
Unrestricted net assets	920,060	861,805
Externally restricted net assets (note 3)	344,371	48,009
	1,264,431	909,814
	$ 3,008,657	$ 1,072,170

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, 2020 WITH COMPARATIVE FIGURES FOR 2019

	2020	2019
Revenue:		
Fundraising		
- Events and campaigns	$ 31,271	$ 49,510
United way	11,118	16,608
Special projects	43,440	90,495
Department of Social Development grant	52,086	52,086
Department of Social Development project	391,692	490,591
Personal services recoveries	473	11,058
Assistive technology recoveries	12,041	227,654
Camp Rotary operations	133,170	443,626
- We Care grant	57,652	56,890
- President's Choice Children's Charity	-	7,056
PETL Pilot Project	108,304	69,603
Government grants and subsidies	233,004	-
Contributions - Fredericton Rotary Club Charitable Trust	304,955	-
Contributions - other	3,882	8,098
Interest	3,556	3,380
Unrealized gain on investments	13,582	-
Miscellaneous	1,290	1,694
	1,401,516	1,528,349
Expenditures:		
Administration	119,639	108,941
Promotion and public relations	50,851	46,532
Fundraising	55,088	50,315
Special projects	33,006	63,277
Personal services	79,604	92,572
Department of Social Development project	302,770	298,280
Assistive technology	90,790	262,584
Camp Rotary	216,300	497,572
PETL Pilot Project	98,851	45,636
	1,046,899	1,465,709
Excess of revenue over expenditures, for the year	$ 354,617	$ 62,640

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, 2020 WITH COMPARATIVE FIGURES FOR 2019

	Unrestricted	Externally Restricted	2020	2019
Balance, beginning of year	$ 861,805	$ 48,009	$ 909,814	$ 847,174
Excess of revenue over expenditures	32,776	321,841	354,617	62,640
Transfers (note 3)	25,479	(25,479)	-	-
Balance, end of year	$ 920,060	$ 344,371	$ 1,264,431	$ 909,814

See accompanying notes to financial statements.

CANADIAN REHABILITATION COUNCIL FOR THE DISABLED

NEW BRUNSWICK BRANCH INCORPORATED

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVE FIGURES FOR 2019

	2020	2019
CASH GENERATED FROM (USED IN):		
OPERATING ACTIVITIES:		
Excess of revenue over expenditures for the year	$ 354,617	$ 62,640
Items not requiring a cash outlay:		
Amortization	5,639	2,620
Net change in current assets and liabilities other than cash:		
Accounts receivable	(18,754)	213,272
Prepaid expenses	10,360	(8,098)
Accounts payable and accrued liabilities	(4,441)	(43,733)
Deferred revenue	47,311	2,164
	394,732	228,865
FINANCING ACTIVITIES:		
Guaranteed investment certificates, long-term	(110,571)	-
Increase in deferred contributions	1,509,000	-
Increase of long term debt	30,000	-
	1,428,429	-
INVESTING ACTIVITIES:		
Additions to capital assets	(1,539,081)	-
Increase in investments	(197,433)	-
	(1,736,514)	-
INCREASE, in cash	86,647	228,865
CASH, beginning of year	921,821	692,956
CASH, end of year	$ 1,008,468	$ 921,821
Cash composition:		
Cash	$ 748,917	$ 653,326
Guaranteed investment certificates	112,613	220,486
Restricted cash	146,938	48,009
	$ 1,008,468	$ 921,821

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. Unrestricted net assets includes invested in capital assets.

(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. GIC's which are cashable or mature in less than a year are included in current assets.

(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, 30% for computer equipment and vehicles, and 4% for buildings.

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. **Camp Rotary Assets:**

On June 30, 2020, by way of gift, The Fredericton Rotary Club Charitable Trust and the Rotary Club of Fredericton transferred ownership of Camp Rotary's operations including land, buildings, equipment, cash and investments to the Council for their immediate, sole and exclusive use. The land building and equipment were recorded at appraised value of $1,513,925. The transaction is recorded as a deferred contribution and will be amortized to income on the same basis and rates of the related capital assets. The investments, held and managed by the Fredericton Community Foundation was recorded at fair value at the time of transfer $181,410. Cash of $123,546 was also transferred to the Council.

3. **Restricted net assets:**

	2020	2019
Camp Rotary:		
Balance, beginning of year	$ 48,009	$ 37,760
Amount transferred to (from restricted net assets)	(25,479)	10,000
	22,530	47,760
Cash and Investments transferred from Fredericton Rotary Club Charitable Trust	304,955	-
Investment income	3,965	249
Market value adjustment	13,582	-
Investment fees	(661)	-
Excess revenue over expenses	321,841	249
Balance, end of year	$ 344,371	$ 48,009

The assets are restricted for maintenance and operations of Camp Rotary at Grand Lake, N.B.

4. Capital assets:

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Land	$ 99,000	$ -	$ 99,000	$ -
Buildings	1,352,225	-	1,352,225	-
Vehicles	29,691	25,777	3,914	5,591
Furniture and equipment	105,989	21,152	84,837	943
	$ 1,586,905	$ 46,929	$ 1,539,976	$ 6,534

Amortization was not recorded for 2020 on the contributed Camp Rotary assets as the recorded value is based on an appraisal prepared December 4, 2020.

5. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities is comprised of:

	2020	2019
Trade accounts payable	$ 13,865	$ 18,019
Other accrued liabilities	31,803	32,090
	$ 45,668	$ 50,109

6. Deferred contributions for capital purposes:

Deferred contributions related to capital assets represents the unamortized balance of capital contributions of Camp Rotary in 2020. Amortization was not recorded in 2020 as the related asset was not amortized in 2020 as the appraisal value was prepared as of December 4, 2020.

7. Long term debt:

	2020	2019
Canada Emergency Business Account (CEBA)	$ 30,000	$ -

The Canada Emergency Business Account is a loan to assist businesses dealing with Covid-19 cash flow challenges.

- The loan is interest free until December 31, 2022. Forgiveness of $10,000 of the loan is available, provided the outstanding balance is $40,000 at December 31, 2020, and $30,000 is paid back between January 1, 2021 and December 31, 2022.
- If the balance is not paid by December 31, 2022, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly, effective January 1, 2023.
- The full balance must be repaid by no later than December 31, 2025.

8. 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.

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

	2020	2019
Cash	$ 748,917	$ 653,326
Guaranteed investment certificates	112,613	220,486
Accounts receivable	135,154	116,400
Restricted cash and term deposits	146,938	48,009
Restricted investments	197,433	-
	$ 1,341,055	$ 1,038,221

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 2020 - $105,974 (2019 - $108,484). Management believes that other credit risk is minimal.

8. Financial instruments (continued):

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.

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 and guaranteed investment certificates 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 guaranteed investment certificates 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.

8. Financial instruments (continued):

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 -

As a result of the Covid-19 pandemic it is likely that there is an increase in credit risk and liquidity risks.

9. 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 2019 - $9,699) for contributions of equipment. This amount, which represents the fair value of the contributed equipment, is not recorded in the Statement of Operations.

10. 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.

11. Other matter:

In January 2020, the World Health Organization declared a public health state of emergency due to the Covid-19 pandemic. In March 2020, both the Governments of Canada and the Government of the Province of New Brunswick also declared states of emergencies. The Council, as with many other organizations, has experienced a drop in revenues as a result of the pandemic.

At this time there is no estimate of the overall financial impact that Covid-19 will have on the Council. The Council will monitor operations closely and adjust expenses appropriately in order to lessen the overall impact, if any.