

Workplace Safety North
Financial Statements
For the year ended March 31, 2017

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Independent Auditor's Report

To the Members of Workplace Safety North

We have audited the accompanying financial statements of Workplace Safety North, which comprise the statement of financial position as at March 31, 2017 and the statement of operations, statement of changes in net assets and cash flow statement 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 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.

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

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of Workplace Safety North as at March 31, 2017 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.

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
June 27, 2016

Workplace Safety North Statement of Financial Position

March 31	2017	2016
Assets		
Current		
Cash and cash equivalents	\$ 689,023	\$ 1,202,429
Investments - short-term (Note 2)	1,302,042	2,170,681
Accounts receivable	653,063	598,787
Program supplies	397,753	282,766
Prepaid expenses	125,844	138,391
	3,167,725	4,393,054
Investments - long-term (Note 2)	3,776,949	2,209,429
Capital assets (Note 3)	3,840,226	2,930,673
	\$ 10,784,900	\$ 9,533,156

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 4)	\$ 1,703,334	\$ 943,800
Deferred revenue (Note 5)	124,671	344,797
	1,828,005	1,288,597
Accrued post-retirement liability (Note 7)	4,065,883	3,479,583
Deferred capital funding (Note 6)	3,468,197	2,984,141
	9,362,085	7,752,321
Net Assets		
Internally restricted - capital assets	907,420	766,823
Unrestricted (Note 10)	515,395	1,014,012
	1,422,815	1,780,835
	\$ 10,784,900	\$ 9,533,156

Commitments (Note 8)

On behalf of the Board:



Frank Leduc Finance and Audit Committee Chair



Dwight Harper Board Chair

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

Workplace Safety North Statement of Changes in Net Assets

For the year ended March 31			2017	2016
	Internally restricted - capital assets	Unrestricted	Total	
Balance, beginning of year,	\$ 766,823	\$ 1,014,012	\$ 1,780,835	\$ 1,499,592
Excess (deficiency) of revenues over expenses	(107,743)	166,523	58,780	(178,857)
Transfer to internally restricted capital assets	248,340	(248,340)	-	-
Remeasurement of employee future benefits (Note 7)	-	(416,800)	(416,800)	460,100
Balance, end of year	\$ 907,420	\$ 515,395	\$ 1,422,815	\$ 1,780,835

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

Workplace Safety North Statement of Operations

For the year ended March 31	2017	2016
Revenues		
Ministry of Labour funding (Note 9)	\$ 11,271,421	\$ 11,100,781
Recoveries (Note 12)	2,715,847	2,151,691
	13,987,268	13,252,472
Expenses		
Wages and salaries	6,703,332	6,996,042
Benefits and other personnel costs	2,499,772	2,615,979
Program delivery	1,014,940	706,315
Travel and vehicle	929,888	892,981
Occupancy costs	812,698	600,639
Information technology	260,765	159,928
Advertising and promotion	253,294	140,712
Equipment and maintenance	182,302	79,421
Office and general	153,225	139,893
Professional fees and consulting	130,565	112,781
Conferences and meetings	86,494	89,720
Telecommunications	83,751	105,530
Directors' expenses	65,113	49,144
Insurance, bank charges and bad debt	60,187	44,581
Postage and courier	43,545	40,532
Subscriptions and library	1,176	2,510
Amortization	647,441	654,621
	13,928,488	13,431,329
Excess (deficiency) of revenues over expenses for the year	\$ 58,780	\$ (178,857)

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

Workplace Safety North Statement of Cash Flows

For the year ended March 31	2017	2016
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses	\$ 58,780	\$ (178,857)
Items not involving cash		
Amortization of capital assets	647,441	654,621
Amortization of deferred capital funding	(539,698)	(523,031)
Post-retirement benefit expense	282,600	357,300
Changes in non-cash working capital balances		
Accounts receivable	(54,276)	23,269
Program supplies	(114,987)	(101,317)
Prepaid expenses	12,547	(109,562)
Accounts payable and accrued liabilities	759,535	(298,317)
Deferred revenue	(220,126)	159,675
	<u>831,816</u>	<u>(16,219)</u>
Investing activities		
Purchase of capital assets	(1,556,995)	(946,022)
Net purchase of investments	(698,881)	(109,923)
	<u>(2,255,876)</u>	<u>(1,055,945)</u>
Financing activities		
Capital funding	1,023,754	917,501
Post-retirement benefits expense paid	(113,100)	(356,934)
	<u>910,654</u>	<u>560,567</u>
Decrease in cash and cash equivalents during the year	(513,406)	(511,597)
Cash and cash equivalents, beginning of year	1,202,429	1,714,026
Cash and cash equivalents, end of year	\$ 689,023	\$ 1,202,429

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

Workplace Safety North

Notes to Financial Statements

March 31, 2017

1. Summary of Significant Accounting Policies

Nature and Purpose of Organization

Workplace Safety North is a not-for-profit corporation that was registered under Letters Patent on June 3, 2009 as a corporation without share capital. The primary purpose of the organization is to contribute to the continuous improvement of health and safety in all sectors in Northern Ontario as well as the mining and aggregates, pulp and paper and forestry industries province wide, by providing products and services to member companies.

Income Taxes

The organization is incorporated without share capital carrying on not-for-profit activities and as such it is not subject to income taxes.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Cash and Cash Equivalents

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. All bonds and guaranteed investment certificates are recorded at amortized cost. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Program Supplies

Mine Rescue Program supplies are stated at the lower of cost and net realizable value. Cost is determined using the first-in/first-out method. Inventories of video tapes, literature and smaller safety equipment is expensed in the year costs are incurred.

Workplace Safety North Notes to Financial Statements

March 31, 2017

1. Summary of Significant Accounting Policies (continued)

Capital Assets Capital asset purchases are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the assets as follows:

Computer hardware and software	-	3 - 5 years
Office equipment	-	5 - 10 years
Emergency response equipment	-	10 - 20 years
Leaseholds	-	remaining term of lease
Vehicles	-	7 years

Asset Impairment The organization monitors events and changes in circumstances which may require an assessment of the recoverability of its long-lived assets. If required, the organization would assess recoverability using estimated undiscounted future operating cash flows. If the carrying amount of an asset is not recoverable, an impairment loss is recognized in operations, measured by comparing the carrying amount of the asset to its fair value.

**Employee Future
Benefits**

The organization offers non-pension post-retirement benefits to employees through non-pension defined benefit plans. The accrued post-retirement liability is determined using an actuarial valuation prepared for accounting purposes. The total cost of the accrued post-retirement liability for the year is comprised of the current service cost, interest cost, and remeasurements and other items. The current service cost and interest cost are charged to operations for the year, while remeasurements and other items are charged directly to net assets as they occur.

The organization is an employer member of the WSIB Employees' Pension Plan and the WSIB Employees' Supplementary Pension Plan (the "Plans"), which are multi-employer, defined benefit pension plans. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plans, including investment of the assets and administration of the benefits. The organization has adopted defined contribution plan accounting principles for these Plans because insufficient information is available to apply defined benefit plan accounting principles. The organization records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plans for past employee service.

Workplace Safety North

Notes to Financial Statements

March 31, 2017

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition The organization follows the deferral method of accounting for contributions. Operating funding received from the Ministry of Labour ("MOL" or the "Ministry") is recognized in the period to which it relates.

The organization accounts for revenue received from MOL to fund capital asset purchases as deferred capital funding. The capital funding is amortized and included in revenue at the same rate the respective asset is being amortized. Other types of funding may also be included in deferred revenue if it relates to future costs/expenses.

The organization recognizes recoveries when they are earned and there is reasonable assurance of collection for training courses, certification and consulting services. Recoveries are recognized when products are shipped to customers for publications and video sales.

Accounting 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 amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the year. The principal estimates used in the preparation of these financial statements are the determination of the allowance for doubtful accounts on program supplies, the determination of the allowance for inventory obsolescence on program supplies, the estimated useful life of capital assets and the estimates involved in the post-retirement benefit liability. Actual results could differ from management's best estimates as additional information becomes available in the future.

Workplace Safety North Notes to Financial Statements

March 31, 2017

2. Investments

Short-term investments consists of cash and two guaranteed investment certificate, plus accrued interest, maturing between January 2018 and February 2018 earning interest with rates ranging from 0.85% to 2.45%.

Long-term investments consists of fifteen guaranteed investment certificates, plus accrued interest, maturing between December 2018 and January 2022 earning interest with rates ranging from 1.65% to 2.60%.

3. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 307,396	\$ 255,362	\$ 307,396	\$ 251,542
Computer hardware and software	927,648	685,377	714,668	598,995
Leaseholds	1,542,756	178,732	692,461	104,731
Vehicles	810,798	361,874	835,347	362,309
Emergency response equipment	4,776,704	3,043,731	4,371,814	2,673,436
	\$ 8,365,302	\$ 4,525,076	\$ 6,921,686	\$ 3,991,013
Net book value		\$ 3,840,226		\$ 2,930,673

4. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$10,853 (2016 - \$8,634) in government remittances payable.

Workplace Safety North Notes to Financial Statements

March 31, 2017

5. Deferred Revenue

	2017	2016
Deferred recoveries	\$ 118,051	\$ 357,029
Deferred ground control funding	9,232	9,232
Deferred safety group funding	(2,612)	(21,464)
	\$ 124,671	\$ 344,797

6. Deferred Capital Funding

	2017	2016
Balance, beginning of year	\$ 2,984,141	\$ 2,589,671
Add: MOL capital funding for the year	1,023,754	917,501
Less: Amortization of deferred capital funding	(539,698)	(523,031)
Balance, end of year	\$ 3,468,197	\$ 2,984,141

Included in the above is \$535,391 (2016 - \$820,291) in unspent funding at year end.

Workplace Safety North Notes to Financial Statements

March 31, 2017

7. Accrued Post-Retirement Liability

At March 31, this liability consists of the following:

- a. Accumulated attendance credits have been provided for employees with less than 3 years service at January 1, 1991 in the amount of \$7,583 (2016 - \$7,583).
- b. Exit benefits accumulating at a rate of 5 days per year of service from January 1, 1991 have accumulated (see below).
- c. The cost of post-retirement benefits consisting primarily of premiums for prescription drugs coverage to eligible retired employees (see below).

The costs in b. and c. are determined based on an actuarial valuation report prepared specifically for accounting purposes. The most recent actuarial valuation of the accrued post-retirement liability for accounting purposes was completed as of March 31, 2017.

Selected information regarding the accrued post-retirement liability is as follows:

Accrued Post-Retirement Liability:	<u>2017</u>	<u>2016</u>
Accrued post-retirement liability, beginning of year	\$ 3,472,000	\$ 3,931,734
Current service costs	137,000	191,600
Interest on accrued post-retirement obligation	<u>145,600</u>	<u>165,700</u>
	3,754,600	4,289,034
Amounts recognized in statement of changes in net assets	416,800	(460,100)
Benefit payments	<u>(113,100)</u>	<u>(356,934)</u>
Accrued post-retirement liability, end of year	<u>\$ 4,058,300</u>	<u>\$ 3,472,000</u>

Total accrued post-retirement liability

	<u>2017</u>	<u>2016</u>
Exit benefits and health and dental insurance	\$ 4,058,300	\$ 3,472,000
Accumulated attendance credits	<u>7,583</u>	<u>7,583</u>
	<u>\$ 4,065,883</u>	<u>\$ 3,479,583</u>

Workplace Safety North Notes to Financial Statements

March 31, 2017

7. Accrued Post-Retirement Liability (continued)

Included in benefits and other personnel costs is a net benefit expense as follows:

	<u>2017</u>	<u>2016</u>
Total service cost of the plan for the year	\$ 137,000	\$ 191,600
Interest on average liabilities	145,600	165,700
	<u>\$ 282,600</u>	<u>\$ 357,300</u>

Actual payments net of employee contributions during the year were \$113,100 (2016 - \$356,934).

8. Commitments

The organization leases offices and other premises under various lease agreements. These agreements expire at various dates in the future. The minimum annual lease payments, for all locations in aggregate, excluding goods and services tax, for the next five years are as follows:

2018	\$ 548,268
2019	497,958
2020	505,124
2021	512,343
2022	519,615

The organization leases various pieces of office equipment under leases expiring between November 2015 and September 2018 with annual lease payments totaling \$18,704.

The organization guarantees the liability of 26 credit cards issued in the names of the organization's staff up to a maximum \$121,000 in total. These credit cards are used for organization purposes. It is organization's policy to pay the balances of these cards when due.

Workplace Safety North Notes to Financial Statements

March 31, 2017

9. MOL Funding

	<u>2017</u>	<u>2016</u>
Revenues - MOL Funding	\$ 10,731,723	\$ 10,577,750
Add: Amortization of deferred MOL capital funding (Note 6)	<u>539,698</u>	<u>523,031</u>
Revenues - Statement of Operations	<u>\$ 11,271,421</u>	<u>\$ 11,100,781</u>

10. MOL Funding Policy

Unrestricted Net Assets

The MOL's "Surplus Investment Policy" was implemented by the organization and became effective on September 16, 2013. Under this policy the entity's operations are not to result in a deficit position at the end of any fiscal year. If the entity records a surplus in any given year the amount of surplus to be retained shall not exceed six percent of the previous year's audited total actual revenue including government transfer payments. Any amount in excess of this six percent will be offset through a reduction in approved funding in the following year. For any surpluses occurring after April 1, 2012 the entity is required to submit a business case outlining how they intend to invest any surplus funds they propose to retain. No surplus funds can be used without written approval from the MOL.

11. Pension Plan

The organization's employees participate in a multi-employer pension plan with the Workplace Safety & Insurance Board (WSIB). The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Included in employee benefits is a pension charge of \$1,029,817 (2016 - \$1,011,697).

Each year an independent actuary determines the funding status of WSIB's pension plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation was prepared at December 31, 2015 and disclosed an actuarial deficit of \$457 million, on plan assets with a fair value of \$2,756 million.

Workplace Safety North Notes to Financial Statements

March 31, 2017

12. Recoveries

The following table discloses the nature of recoveries recognized during the year. Recoveries are amounts charged to both members and non-members for certain services rendered during the year.

	<u>2017</u>	<u>2016</u>
Consulting and training	\$ 1,440,680	\$ 1,375,589
International Mine Rescue	412,106	-
Certification	324,518	282,952
Other	167,158	88,673
Publications and Online Training	131,399	121,314
Annual conference	125,115	155,305
Interest	114,871	127,858
	<u>\$ 2,715,847</u>	<u>\$ 2,151,691</u>

13. Economic Dependence

The organization receives a significant amount of its revenue from the Ministry of Labour based on annual budget submissions approved by the Ministry.

14. Financial Instrument Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk arising from its cash and cash equivalents, short-term investments, accounts receivable and long-term investments. The organization maintains cash and cash equivalents in excess of federally insured limits with a single financial institution.