

**Workplace Safety North**  
**Financial Statements**  
**For the year ended March 31, 2014**

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**Financial Statements**  
For the year ended March 31, 2014

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## Independent Auditor's Report

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### 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, 2014 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, 2014 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.

*BDO Canada LLP*

Chartered Accountants, Licensed Public Accountants

North Bay, Ontario  
June 24, 2014

## Workplace Safety North Statement of Financial Position

March 31	2014	2013
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 1,900,119	\$ 1,286,412
Investments - short-term (Note 2)	632,926	632,309
Accounts receivable	549,677	262,977
Program supplies	202,204	203,936
Prepaid expenses	12,576	48,909
	3,297,502	2,434,543
Investments - long-term (Note 2)	3,527,820	3,349,859
Capital assets (Note 3)	2,746,824	3,262,375
	\$ 9,572,146	\$ 9,046,777

### Liabilities and Net Assets

<b>Current</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 1,210,202	\$ 1,364,178
Deferred revenue (Note 5)	180,256	135,297
	1,390,458	1,499,475
Accrued post-retirement liability (Note 7)	3,332,247	3,225,634
Deferred capital funding (Note 6)	2,742,917	3,055,688
	7,465,622	7,780,797
<b>Net Assets</b>		
Internally restricted - capital assets	186,470	308,864
Unrestricted (Note 10)	1,920,054	957,116
	2,106,524	1,265,980
	\$ 9,572,146	\$ 9,046,777

### Commitments (Note 8)

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

## Workplace Safety North Statement of Changes in Net Assets

<b>For the year ended March 31</b>			<b>2014</b>	<b>2013</b>
(with comparative amounts for the 15 month period ended March 31, 2013)				
	Internally restricted - capital assets	Unrestricted net assets	Total	
<b>Balance, beginning of year</b>	\$ 308,864	\$ 957,116	\$ 1,265,980	\$ 1,039,853
(Deficiency) excess of revenues over expenses	(122,394)	962,938	840,544	226,127
<b>Balance, end of year</b>	<b>\$ 186,470</b>	<b>\$ 1,920,054</b>	<b>\$ 2,106,524</b>	<b>\$ 1,265,980</b>

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

## Workplace Safety North Statement of Operations

For the year ended March 31	2014	2013
(with comparative amounts for the 15 month period ended March 31, 2013)		
<b>Revenues</b>		
Workplace Safety & Insurance Board and Ministry of Labour funding (Note 9)	\$ 10,988,648	\$ 13,249,427
Recoveries (Note 12)	2,520,854	2,363,797
	<b>13,509,502</b>	<b>15,613,224</b>
<b>Expenses</b>		
Wages and salaries	6,449,440	7,817,034
Benefits and other personnel costs	2,506,049	2,961,804
Travel and vehicle	720,539	895,507
Program delivery	676,475	768,363
Occupancy costs	610,689	829,694
Information technology	203,099	272,742
Advertising and promotion	130,658	117,392
Professional fees and consulting	126,373	326,962
Telecommunications	117,853	139,157
Office and general	116,349	160,751
Equipment and maintenance	74,483	88,452
Meetings	66,809	88,858
Postage and courier	44,865	82,481
Director's expenses	43,181	41,484
Insurance, bank charges and bad debt	43,175	55,751
Subscriptions and library	18,756	13,926
Amortization	720,165	726,739
	<b>12,668,958</b>	<b>15,387,097</b>
<b>Excess of revenues over expenses for the year</b>	<b>\$ 840,544</b>	<b>\$ 226,127</b>

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

## Workplace Safety North Statement of Cash Flows

For the year ended March 31	2014	2013
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenues over expenses	\$ 840,544	\$ 226,127
Items not involving cash		
Amortization of capital assets	720,165	726,739
Amortization of deferred capital funding	(597,771)	(559,971)
Post-retirement benefit expense	270,202	538,869
Changes in non-cash working capital balances		
Accounts receivable	(286,700)	114,627
Program supplies	1,732	(70,175)
Prepaid expenses	36,333	(33,178)
Accounts payable and accrued liabilities	(153,976)	(11,974)
Due to Workplace Safety & Insurance Board	-	(67,104)
Deferred revenue	44,959	82,710
	<u>875,488</u>	<u>946,670</u>
<b>Investing activities</b>		
Purchase of capital assets	(204,616)	(875,173)
Net purchase of investments	(178,578)	(780,941)
	<u>(383,194)</u>	<u>(1,656,114)</u>
<b>Financing activities</b>		
Capital funding	285,000	686,578
Post-retirement benefits expense paid	(163,587)	(229,232)
	<u>121,413</u>	<u>457,346</u>
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>613,707</b>	<b>(252,098)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>1,286,412</u></b>	<b><u>1,538,510</u></b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,900,119</b>	<b>\$ 1,286,412</b>

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

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# Workplace Safety North Notes to Financial Statements

March 31, 2014

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## 1. Summary of Significant Accounting Policies

<b>Nature and Purpose of Organization</b>	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.
<b>Income Taxes</b>	The organization is incorporated without share capital carrying on not-for-profit activities and as such it is not subject to income taxes.
<b>Basis of Accounting</b>	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.
<b>Cash and Cash Equivalents</b>	Cash and cash equivalents includes cash on hand, current bank accounts and short-term deposits, if any, with maturity of less than 90 days.
<b>Financial Instruments</b>	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.
<b>Program Supplies</b>	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.



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## Workplace Safety North Notes to Financial Statements

March 31, 2014

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### 1. Summary of Significant Accounting Policies (continued)

<b>Capital Assets</b>	<p>Capital asset purchases are stated at cost less accumulated amortization. Amortized is provided on a straight-line basis over the estimated useful life of the assets as follows:</p> <ul style="list-style-type: none"><li>Computer hardware and software - 3 - 5 years</li><li>Office equipment - 5 - 10 years</li><li>Emergency response equipment - 10 - 20 years</li><li>Leaseholds - remaining term of lease</li><li>Vehicles - 7 years</li></ul>
<b>Asset Impairment</b>	<p>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.</p>
<b>Employee Future Benefits</b>	<p>The organization offers non-pension post-retirement benefits to employees through non-pension defined benefit plans. The costs associated with these future benefits are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. (See Note 7).</p> <p>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.</p>

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## Workplace Safety North Notes to Financial Statements

March 31, 2014

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### 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) 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.

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## Workplace Safety North Notes to Financial Statements

**March 31, 2014**

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### 2. Investments

Short-term investments consists of two guaranteed investment certificates, plus accrued interest, maturing between June 2014 and November 2014 earning interest with rates ranging from 2.65% to 3.95%.

Long-term investments consists of eight guaranteed investment certificates, plus accrued interest, maturing between November 2015 and December 2018 earning interest with rates ranging from 2.45% to 3.40%.

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### 3. Capital Assets

	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 268,240	\$ 198,656	\$ 268,240	\$ 154,764
Computer hardware and software	579,326	410,294	560,365	298,701
Leaseholds	52,030	40,434	40,434	35,034
Vehicles	614,293	232,979	574,612	237,995
Emergency response equipment	<u>3,882,422</u>	<u>1,767,124</u>	<u>3,833,979</u>	<u>1,288,761</u>
	<u>\$ 5,396,311</u>	<u>\$ 2,649,487</u>	<u>\$ 5,277,630</u>	<u>\$ 2,015,255</u>
Net book value		<u>\$ 2,746,824</u>		<u>\$ 3,262,375</u>

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### 4. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$32,038 (2013 - \$36,110) in government remittances payable.

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**Workplace Safety North  
Notes to Financial Statements**

**March 31, 2014**

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**5. Deferred Revenue**

	2014	2013
Deferred recoveries	\$ 186,807	\$ 130,533
Deferred ground control funding	9,232	9,232
Deferred safety group funding	(15,783)	(4,468)
	<b>\$ 180,256</b>	<b>\$ 135,297</b>

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**6. Deferred Capital Funding**

	2014	2013
Balance, beginning of year	\$ 3,055,688	\$ 2,929,081
Add: WSIB/MOL capital funding for the year	285,000	689,000
Less: Amortization of deferred capital funding	(597,771)	(559,971)
Less: Amounts repaid to WSIB	-	(2,422)
Balance, end of year	<b>\$ 2,742,917</b>	<b>\$ 3,055,688</b>

Included in the above is \$182,563 (2013 - \$102,177) in unspent funding at year end.

## Workplace Safety North Notes to Financial Statements

**March 31, 2014**

### 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 \$23,748 (2013 - \$22,746).
- 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 in accordance with accepted actuarial practice based on an actuarial report dated March 3, 2014 as at March 31, 2014 and the figures presented below are from this report. Selected information about this plan is as follows:

The organization's accrued benefit liability relating to post-retirement benefit plans is as follows:

Accrued Benefit Liability:	2014	2013
Accrued benefit liability, beginning of year	\$ 3,202,888	\$ 2,893,170
Current service costs	173,500	295,850
Interest cost on obligation	139,100	222,000
Amortization of actuarial losses (gains) and other	(43,402)	21,100
	3,472,086	3,432,120
Benefit payments	(163,587)	(229,232)
Accrued benefit liability, end of year	\$ 3,308,499	\$ 3,202,888

A reconciliation of the organization's accrued benefit obligation to the accrued benefit liability is as follows:

	2014	2013
Accrued benefit obligation	\$ 3,688,699	\$ 3,857,588
Unamortized past service costs	89,100	89,100
Unamortized net actuarial losses	(469,300)	(743,800)
Accrued benefit liability	\$ 3,308,499	\$ 3,202,888

## Workplace Safety North Notes to Financial Statements

**March 31, 2014**

### 7. Accrued Post-Retirement Liability (continued)

Total accrued post-retirement liability

	2014	2013
Exit benefits and health and dental insurance	\$ 3,308,499	\$ 3,202,888
Accumulated attendance credits	23,748	22,746
	\$ 3,332,247	\$ 3,225,634

Included in wages and salaries is a net benefit expense as follows:

	2014	2013
Total service cost of the plan for the year	\$ 173,500	\$ 295,850
Interest on average liabilities	139,100	222,000
Amortization of net actuarial gains/losses	37,802	47,400
Amortization of past service costs	(80,200)	(26,300)
	\$ 270,202	\$ 538,950

Actual payments during the year were \$163,587 (2013 - \$229,232).

The main actuarial assumptions employed for the valuations are as follows:

Discount rate used at April 1, 2013	4.2%
Discount rate used at March 31, 2014	4.75%
Total value of plan assets	\$Nil
Expected average remaining service life of active employees	11.6 years
Dental benefits cost inflation trend	4%
Health & medical cost inflation trend	5%

## Workplace Safety North Notes to Financial Statements

**March 31, 2014**

### 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:

2015	\$	410,305
2016		380,927
2017		335,858
2018		239,166
2019		119,583

The organization leases various pieces of office equipment under leases expiring between February 2015 and May 2018 with annual lease payments totaling \$14,944.

The organization guarantees the liability of 25 credit cards issued in the names of the organization's staff up to a maximum \$110,000 in total. These credit cards are used for organization purposes. It is organization's policy to pay the balances of these cards when due.

### 9. WSIB / MOL Funding

	2014	2013
Revenues - WSIB/MOL Funding <sup>(i)</sup>	\$ 10,390,877	\$ 12,655,727
Less: Funding adjustment	-	(96,693)
Less: WSIB / MOL approved capital funding reallocation	-	(225,000)
Add: Additional Mine Rescue Program funding	-	355,422
Add: Amortization of deferred WSIB / MOL capital funding (Note 6)	597,771	559,971
Revenues - Statement of Operations	\$ 10,988,648	\$ 13,249,427

(i) In the comparative period funding was received from both WSIB and MOL. In the current year all funding was received from the MOL.

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## Workplace Safety North Notes to Financial Statements

March 31, 2014

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### 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.

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### 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 \$980,270 (2013 - \$855,816).

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, 2012 and disclosed an actuarial deficit of \$987 million, on plan assets with a fair value of \$2,072 million.



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## Workplace Safety North Notes to Financial Statements

**March 31, 2014**

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### 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>2014</u>	<u>2013</u>
Consulting and training	\$ 1,467,125	\$ 1,666,492
Certification	249,530	274,825
Annual conference	158,941	154,500
Miscellaneous	186,566	41,131
Interest	136,460	159,062
Publications and videos	62,917	67,787
Prior year HST rebates (net of costs of \$99,265)	259,315	-
	<u>\$ 2,520,854</u>	<u>\$ 2,363,797</u>

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### 13. Economic Dependence

The organization receives a significant amount of its revenue from the Ministry of Labour, previously from the Workplace Safety & Insurance Board, based on annual budget submissions approved by the Board.

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## Workplace Safety North Notes to Financial Statements

March 31, 2014

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### 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.

#### Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable, employee future benefits and commitments.