

Workplace Safety North
Financial Statements
For the year ended March 31, 2019

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Independent Auditor's Report

To the Members of Workplace Safety North

Opinion

We have audited the financial statements of Workplace Safety North (the Entity), which comprise the statement of financial position as at March 31, 2019, the statements of operations, statement of changes in net assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 Entity 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.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

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 Entity'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 Entity'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 Entity 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.

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
June 25, 2019

Workplace Safety North Statement of Financial Position

March 31	2019	2018
Assets		
Current		
Cash and cash equivalents	\$ 456,262	\$ 377,052
Investments - short-term (Note 2)	1,444,914	1,373,236
Accounts receivable	1,039,114	487,850
Program supplies	296,735	420,445
Prepaid expenses	156,732	148,480
	3,393,757	2,807,063
Investments - long-term (Note 2)	2,684,681	3,104,193
Capital assets (Note 3)	4,234,131	4,360,326
	\$ 10,312,569	\$ 10,271,582

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 4)	\$ 1,619,195	\$ 1,205,125
Deferred revenue (Note 5)	219,646	241,626
	1,838,841	1,446,751
Accrued post-retirement liability (Note 7)	5,492,049	5,095,449
Deferred capital funding (Note 6)	3,582,876	3,553,326
	10,913,766	10,095,526
Net Assets		
Internally restricted - capital assets	851,973	1,062,255
Unrestricted (Note 10)	(1,453,170)	(886,199)
	(601,197)	176,056
	\$ 10,312,569	\$ 10,271,582

Commitments (Note 8)

On behalf of the Board:

_____  — Director

_____  — Director

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	2019			2018
	Internally restricted - capital assets	Unrestricted	Total	
Balance, beginning of year,	\$ 1,062,255	\$ (886,199)	\$ 176,056	\$ 1,422,815
Deficiency of revenues over expenses	(210,282)	(228,171)	(438,453)	(107,359)
Remeasurement of employee future benefits (Note 7)	-	(338,800)	(338,800)	(1,139,400)
Balance, end of year	\$ 851,973	\$ (1,453,170)	\$ (601,197)	\$ 176,056

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

Workplace Safety North Statement of Operations

For the year ended March 31	2019	2018
Revenues		
Ministry of Labour funding (Note 9)	\$ 12,191,129	\$ 12,284,029
Recoveries (Note 12)	3,060,020	2,472,477
	15,251,149	14,756,506
Expenses		
Wages and salaries	7,558,617	7,083,296
Benefits and other personnel costs	2,867,175	2,860,661
Travel and vehicle	1,128,857	1,100,982
Occupancy costs	1,024,617	958,299
Program delivery	704,165	491,065
Information technology	342,375	282,459
Advertising and promotion	325,322	303,306
Equipment and maintenance	273,074	327,579
Office and general	173,316	149,359
Conferences and meetings	117,570	99,462
Telecommunications	105,187	121,915
Professional fees and consulting	84,629	68,260
Insurance, bank charges and bad debt	66,961	65,280
Directors' expenses	52,962	38,217
Postage and courier	38,691	47,090
Subscriptions and library	3,352	8,935
Amortization	822,732	857,700
	15,689,602	14,863,865
Deficiency of revenues over expenses for the year	\$ (438,453)	\$ (107,359)

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

Workplace Safety North Statement of Cash Flows

For the year ended March 31	2019	2018
Cash provided by (used in)		
Operating activities		
Deficiency of revenues over expenses	\$ (438,453)	\$ (107,359)
Items not involving cash		
Amortization of capital assets	822,732	857,700
Amortization of deferred capital funding	(612,450)	(645,871)
Post-retirement benefit expense	304,800	348,900
Changes in non-cash working capital balances		
Accounts receivable	(551,264)	165,213
Program supplies	123,710	(22,692)
Prepaid expenses	(8,252)	(22,636)
Accounts payable and accrued liabilities	414,070	(498,208)
Deferred revenue	(21,980)	116,955
	32,913	192,002
Investing activities		
Purchase of capital assets	(696,537)	(1,377,802)
Decrease in investments	347,834	601,562
	(348,703)	(776,240)
Financing activities		
Capital funding	642,000	731,000
Post-retirement benefits expense paid	(247,000)	(458,733)
	395,000	272,267
Increase (decrease) in cash and cash equivalents during the year	79,210	(311,971)
Cash and cash equivalents, beginning of year	377,052	689,023
Cash and cash equivalents, end of year	\$ 456,262	\$ 377,052

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

Workplace Safety North

Notes to Financial Statements

March 31, 2019

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 literature and smaller safety equipment is expensed in the year costs are incurred.

Workplace Safety North Notes to Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies (continued)

Capital Assets	<p>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:</p> <ul style="list-style-type: none">Computer hardware and software - 3 - 5 yearsOffice equipment - 5 - 10 yearsEmergency response equipment - 5 - 20 yearsLeaseholds - remaining term of leaseVehicles - 7 years
Asset Impairment	<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>
Employee Future Benefits	<p>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.</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>

Workplace Safety North

Notes to Financial Statements

March 31, 2019

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, 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, 2019

2. Investments

Short-term investments consists of cash and eight guaranteed investment certificate, plus accrued interest, maturing between April 2019 and March 2020 earning interest with a rates ranging from 1.65% of 2.85%.

Long-term investments consists of thirteen guaranteed investment certificates, plus accrued interest, maturing between November 2020 and October 2023 earning interest with rates ranging from 1.80% to 3.51%.

3. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 512,451	\$ 320,470	\$ 512,451	\$ 284,051
Computer hardware and software	858,854	713,832	1,007,722	784,083
Leaseholds	1,806,172	517,031	1,806,172	318,035
Vehicles	821,353	428,406	811,369	311,783
Emergency response equipment	6,097,863	3,882,823	5,411,311	3,490,747
	\$ 10,096,693	\$ 5,862,562	\$ 9,549,025	\$ 5,188,699
Net book value		\$ 4,234,131		\$ 4,360,326

4. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$12,161 (2018 - \$12,425) in government remittances payable.

Workplace Safety North Notes to Financial Statements

March 31, 2019

5. Deferred Revenue

	2019	2018
Deferred recoveries	\$ 199,557	\$ 224,349
Deferred ground control funding	9,232	9,232
Deferred safety group funding	10,857	8,045
	\$ 219,646	\$ 241,626

6. Deferred Capital Funding

	2019	2018
Balance, beginning of year	\$ 3,553,326	\$ 3,468,197
Add: MOL capital funding for the year	642,000	731,000
Less: Amortization of deferred capital funding	(612,450)	(645,871)
Balance, end of year	\$ 3,582,876	\$ 3,553,326

Included in the above is \$200,718 (2018 - \$255,255) in unspent funding at year end.

Workplace Safety North Notes to Financial Statements

March 31, 2019

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 \$6,149 (2018 - \$6,149).
- 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, 2019.

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

Accrued Post-Retirement Liability:	2019	2018
Accrued post-retirement liability, beginning of year	\$ 5,089,300	\$ 4,058,300
Current service costs	114,900	158,200
Interest on accrued post-retirement obligation	189,900	190,700
	5,394,100	4,407,200
Amounts recognized in statement of changes in net assets	338,800	1,139,400
Benefit payments	(247,000)	(457,300)
Accrued post-retirement liability, end of year	\$ 5,485,900	\$ 5,089,300

Total accrued post-retirement liability

	2019	2018
Exit benefits and health and dental insurance	\$ 5,485,900	\$ 5,089,300
Accumulated attendance credits	6,149	6,149
	\$ 5,492,049	\$ 5,095,449

Workplace Safety North Notes to Financial Statements

March 31, 2019

7. Accrued Post-Retirement Liability (continued)

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

	<u>2019</u>	<u>2018</u>
Total service cost of the plan for the year	\$ 114,900	\$ 158,200
Interest on average liabilities	<u>189,900</u>	<u>190,700</u>
	<u>\$ 304,800</u>	<u>\$ 348,900</u>

Actual payments net of employee contributions during the year were \$247,000 (2018 - \$457,300).

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:

2020	\$ 590,761
2021	582,724
2022	589,997
2023	592,109
2024	455,396

The organization leases various pieces of office equipment under leases expiring between July 2021 and July 2022 with annual lease payments totaling \$10,564.

The organization guarantees the liability of 27 credit cards issued in the names of the organization's staff up to a maximum \$129,000 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, 2019

9. MOL Funding

	<u>2019</u>	<u>2018</u>
Revenues - MOL Funding	\$ 11,578,679	\$ 11,638,158
Add: Amortization of deferred MOL capital funding (Note 6)	<u>612,450</u>	<u>645,871</u>
Revenues - Statement of Operations	<u>\$ 12,191,129</u>	<u>\$ 12,284,029</u>

10. 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 \$1,197,263 (2018 - \$1,118,895).

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, 2017 and disclosed an actuarial deficit of \$750 million, on plan assets with a fair value of \$3,235 million.

Workplace Safety North Notes to Financial Statements

March 31, 2019

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.

	2019	2018
Consulting and training	\$ 2,031,362	\$ 1,411,840
Certification	470,834	421,229
Other	150,956	231,372
Publications and Online Training	105,312	137,359
Annual conferences	192,265	167,572
Interest	109,291	103,105
	<u>\$ 3,060,020</u>	<u>\$ 2,472,477</u>

13. Credit Facility

The organization has a credit facility with its lender in the amount of \$1,200,000, bearing interest at bank prime rate plus 0.50%. The facility is secured by a general security agreement covering all present and after acquired personal property of the organization. As at March 31, 2019 the organization had utilized \$Nil (2018 - \$Nil) of the operating line.

14. 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.

Workplace Safety North Notes to Financial Statements

March 31, 2019

15. 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.