

FINANCIAL STATEMENTS
For
CANADIAN FALLEN FIREFIGHTERS FOUNDATION
For year ended
DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of

CANADIAN FALLEN FIREFIGHTERS FOUNDATION

Qualified Opinion

We have audited the financial statements of Canadian Fallen Firefighters Foundation (the Foundation), which comprise the statement of financial position as at December 31, 2018, and the statement of operations and changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Canadian Fallen Firefighters Foundation as at December 31, 2018 and the results of its operations, the changes in its net assets 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 similar not-for-profit organizations, the Foundation derives revenue from charitable donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenue, net revenues and cash flows for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017 and net assets as at January 1, 2017 and 2018 and December 31, 2017 and 2018. The audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

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 Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 qualified opinion.

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 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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 Foundation'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 Foundation'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 Foundation 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.



Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
September 9, 2019.

Welch LLP[®]

CANADIAN FALLEN FIREFIGHTERS FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 455,789	\$ 370,901
Guaranteed investment certificates - note 4	907,833	742,883
Marketable securities - note 5	51,179	-
Accounts receivable	128,623	121,169
Government remittances receivable	9,944	25,432
Inventory - note 6	38,691	38,792
Prepaid expenses	<u>1,548</u>	<u>1,086</u>
	<u>\$ 1,593,607</u>	<u>\$ 1,300,263</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 18,269	\$ 16,801
DEFERRED CONTRIBUTIONS - note 7	<u>165,058</u>	<u>129,673</u>
	<u>183,327</u>	<u>146,474</u>
NET ASSETS		
Unrestricted	<u>1,410,280</u>	<u>1,153,789</u>
	<u>\$ 1,593,607</u>	<u>\$ 1,300,263</u>

Approved by the Board:

DAVID SHEEN
..... Director

BRUCE PARADIS
..... Director

(See accompanying notes)

CANADIAN FALLEN FIREFIGHTERS FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Revenues		
iMedia funding (formerly CBU)	\$ 157,464	\$ 150,511
Donations received:		
Receipted	24,349	34,830
Other	192,032	158,215
Sponsorship	29,744	46,000
Sales of souvenirs	26,132	26,112
Funeral - note 7	2,000	2,100
Scholarships - note 7	16,882	15,991
United Way	4,035	2,828
Interest	19,601	21,431
Other	<u>8,490</u>	<u>1,715</u>
	<u>480,729</u>	<u>459,733</u>
Expenses		
Annual ceremony	60,337	55,259
Advertising and promotion - note 6	40,601	48,331
LODD families expense	24,856	27,792
Scholarships	16,882	15,991
Honorariums	15,560	15,040
Professional fees	16,395	11,700
Executive and director	13,671	7,807
Rent	13,209	13,400
Office and general	7,520	10,112
Camp F.A.C.E.S.	4,714	5,032
Insurance	4,560	4,134
Funerals	2,000	2,100
Interest and bank charges	566	682
Fundraising	<u>299</u>	<u>27</u>
	<u>221,170</u>	<u>217,407</u>
Net revenues before unrealized loss on investments	259,559	242,326
Unrealized loss on investments	<u>3,068</u>	<u>-</u>
Net revenues	256,491	242,326
Net assets, beginning of year	<u>1,153,789</u>	<u>911,463</u>
Net assets, end of year	<u>\$ 1,410,280</u>	<u>\$ 1,153,789</u>

(See accompanying notes)

CANADIAN FALLEN FIREFIGHTERS FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
CASH FLOWS PROVIDED FROM (USED IN)		
OPERATING ACTIVITIES		
Net revenues	\$ 259,559	\$ 242,326
Adjustments for:		
Accounts receivable	(7,454)	(54,091)
Government remittances receivable	15,488	(7,259)
Inventory	101	5,349
Prepaid expenses	(462)	(183)
Accounts payable and accrued liabilities	1,468	7,248
Deferred contributions	<u>35,385</u>	<u>(11,766)</u>
	<u>304,085</u>	<u>181,624</u>
INVESTING ACTIVITIES		
Purchase of investments - net	<u>(219,197)</u>	<u>(17,986)</u>
INCREASE IN CASH	84,888	163,638
CASH, BEGINNING OF YEAR	<u>370,901</u>	<u>207,263</u>
CASH, END OF YEAR	<u>\$ 455,789</u>	<u>\$ 370,901</u>

(See accompanying notes)

CANADIAN FALLEN FIREFIGHTERS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

1. NATURE OF OPERATIONS

The Canadian Fallen Firefighters Foundation ("Foundation") is incorporated under the provisions of *The Canada Corporations Act*, has continued under the Canada Not-for-profit Corporations Act and is a registered charity. The Foundation's principal purpose is to plan, direct and manage an annual Fallen Firefighters Memorial Service; to provide financial assistance to families of fallen firefighters for transportation and lodging during the annual memorial service; to provide support to families through education bursaries and scholarships and other avenues of financial assistance (funeral expenses and Camp F.A.C.E.S.); and to otherwise recognize firefighters who die in the line of duty.

The Foundation maintains its head office in Ottawa, Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Use of 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 amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

Management makes accounting estimates in the determination of potentially uncollectible accounts receivable, when determining the valuation of inventory, and in the estimation of significant accrued liabilities.

Revenue recognition

Revenue from iMedia advertising contracts is recognized over the term of the contract. Revenue from donations and sponsorships is recognized upon receipt and revenue from investments is recognized as earned. The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collectability is reasonably assured.

Revenue from souvenir sales are recognized once the goods are sold.

Financial instruments

Cash, guaranteed investment certificates and marketable securities are measured at fair value at the financial statement date.

All other financial instruments are measured at cost or amortized cost at the financial statement date.

Inventories

Inventory of souvenirs and merchandise are valued at lower of cost and net realizable value with cost determined substantially on a first-in, first-out basis.

CANADIAN FALLEN FIREFIGHTERS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2018

3. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure and concentrations at December 31, 2018.

The Foundation does not use derivative financial instruments to manage its risk.

Credit risk

The Foundation is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Foundation's maximum exposure to credit risk represents the sum of the carrying value of its cash, guaranteed investment certificates, marketable securities and its accounts receivable. The Foundation's cash, guaranteed investment certificates and marketable securities are held with a registered Canadian credit union and as a result management believes the risk of loss on this item to be remote. The Foundation manages its credit risk of its accounts receivable by reviewing accounts receivable aging monthly and following up on outstanding amounts. The Foundation believes that all accounts receivable at year end will be collected.

Liquidity risk

Liquidity risk is the risk that the Foundation cannot meet a demand for cash or meet its financial obligations when they become due. The Foundation manages its liquidity requirements by preparing and monitoring forecasts of cash flow from operations, anticipating investing and financing activities, and holding assets that can readily be 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.

i) *Currency risk*

Currency risk is 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 Foundation's financial instruments are denominated in Canadian dollars and it transacts primarily in Canadian dollars. As a result, the Foundation does not believe it is exposed to significant currency risk.

ii) *Interest rate risk*

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The Foundation manages its interest rate risk exposure through its investments in guaranteed investment certificates which provides fixed rates of interest. As such, the Foundation's exposure to interest rate risk is minimal.

iii) *Other price risk*

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Foundation is exposed to other price risk on its marketable securities. The Foundation manages this risk by investing in equities in low volatility industries.

Changes in risk

With the exception of an increase in other price risk, there have been no significant changes in the Foundation's risk exposures from the prior year.

CANADIAN FALLEN FIREFIGHTERS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2018

4. GUARANTEED INVESTMENT CERTIFICATES

Guaranteed investment certificates consist of the following:

	<u>2018</u>	<u>2017</u>
Comtech Fire Credit Union - 2.75%, matures September 2021	\$ 79,667	\$ 77,605
Comtech Fire Credit Union - 2.75%, matures October 2021	79,487	77,424
Comtech Fire Credit Union - 1.82%, matures January 2020	108,547	-
Comtech Fire Credit Union - 1.82%, matures January 2020	81,411	-
Comtech Fire Credit Union - 2.00%, matures January 2020	79,980	78,441
Comtech Fire Credit Union - 2.00%, matures July 2020	164,410	162,842
Comtech Fire Credit Union - 2.00%, matures July 2020	82,205	81,421
Comtech Fire Credit Union - 2.00%, matures July 2020	79,406	78,649
Comtech Fire Credit Union - 3.05%, matures May 2023	152,720	-
Comtech Fire Credit Union - 1.85%, matures in year	-	106,572
Comtech Fire Credit Union - 1.85%, matures in year	<u>-</u>	<u>79,929</u>
	<u>\$ 907,833</u>	<u>\$ 742,883</u>

5. MARKETABLE SECURITIES

Marketable securities consist of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Market value</u>	<u>Book value</u>	<u>Market value</u>	<u>Book value</u>
Investments comprise of:				
Cash	\$ 404	\$ 404	\$ -	\$ -
Canadian National Railway	26,289	30,176	-	-
Rogers Communications Inc.	<u>24,486</u>	<u>23,667</u>	<u>-</u>	<u>-</u>
	<u>\$ 51,179</u>	<u>\$ 54,247</u>	<u>\$ -</u>	<u>\$ -</u>

6. INVENTORY

The total amount of inventory recognized as an expense for the current year is \$25,659 (2017 - \$22,688) and is included in advertising and promotion expenses.

7. DEFERRED CONTRIBUTIONS

Deferred contributions represent funds that have been received for specific purposes, as follows:

	<u>2018</u>			<u>2017</u>
	<u>Scholarships</u>	<u>Funeral costs</u>	<u>Total</u>	<u>Total</u>
Deferred contributions, beginning of year	\$ 52,888	\$ 76,785	\$ 129,673	\$ 141,439
Contributions received in year	54,267	-	54,267	6,325
Recognized as revenue in year	<u>(16,882)</u>	<u>(2,000)</u>	<u>(18,882)</u>	<u>(18,091)</u>
Deferred contributions, end of year	<u>\$ 90,273</u>	<u>\$ 74,785</u>	<u>\$ 165,058</u>	<u>\$ 129,673</u>

CANADIAN FALLEN FIREFIGHTERS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2018

8. VOLUNTEER HOURS

The work of the Foundation is dependent upon the voluntary services of its directors, management and members. These services are not normally purchased by the Foundation and because of the difficulty of determining their fair value, the value of these donated services are not recognized in the financial statements.

9. COMMITMENTS

The Foundation rents a storage locker on a month to month basis; the rental rate is reviewed periodically, and effective November 1, 2017 is \$159 per month. The Foundation also rents office space on a month to month basis for \$900 per month.