

North Shore Rural Community Fire Co.

Financial Statements
December 31, 2019

Draft

March 16, 2020 9:47:47 AM

Independent Auditor's Report

To the Members of North Shore Rural Community Fire Co.

Opinion

We have audited the accompanying financial statements of North Shore Rural Community Fire Co., which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets - restricted and unrestricted and 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 North Shore Rural Community Fire Co. as at December 31, 2019, 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.

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 North Shore Rural Community Fire Co. 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 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 North Shore Rural Community Fire Co.'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 North Shore Rural Community Fire Co. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the North Shore Rural Community Fire Co.'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 North Shore Rural Community Fire Co.'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 North Shore Rural Community Fire Co.'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 North Shore Rural Community Fire Co. 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

North Shore Rural Community Fire Co.

Statement of Financial Position

As at December 31, 2019

	2019 \$	2018 \$
Assets		
Current assets		
Cash and cash equivalents	264,990	460,173
Restricted cash	102,797	81,289
HST receivable	33,339	5,775
Prepaid expenses	4,816	4,448
	<u>405,942</u>	<u>551,685</u>
Restricted cash (note 3)	75,156	125,153
	<u>481,098</u>	<u>676,838</u>
Liability		
Current liability		
Accounts payable	8,464	12,932
Net Assets		
Unrestricted		
	<u>397,478</u>	<u>538,753</u>
Restricted		
Fireman's Gratuity fund (note 3)	32,748	34,777
Fire Truck Replacement fund (note 3)	42,408	90,376
	<u>75,156</u>	<u>125,153</u>
	<u>472,634</u>	<u>663,906</u>
	<u>481,098</u>	<u>676,838</u>

Approved by the Membership

_____ Member

_____ Member

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North Shore Rural Community Fire Co.

Statement of Changes in Net Assets - Restricted and Unrestricted For the year ended December 31, 2019

	2019	2018
	\$	\$
Unrestricted Net Assets		
Balance - Beginning of year	538,753	394,090
Excess revenue (expenditures) for the year	(191,406)	156,663
Transfer from Fire Truck Replacement Fund (note 3)	60,007	-
Transfer to Fire Truck Replacement Fund (note 3)	(12,000)	(12,000)
Due from Fireman's Gratuity Fund (note 3)	2,124	-
Balance - End of year	<u>397,478</u>	<u>538,753</u>
 Restricted Net Assets - Fireman's Gratuity Fund		
Balance - Beginning of year	34,777	34,696
Interest earned	95	81
Due to Unrestricted Net Assets (note 3)	(2,124)	-
Balance - End of year	<u>32,748</u>	<u>34,777</u>
 Restricted Net Assets - Fire Truck Replacement Fund		
Balance - Beginning of year	90,376	78,292
Interest earned	39	84
Transfer to Unrestricted Net Assets (note 3)	(60,007)	-
Transfer from Unrestricted Net Assets (note 3)	12,000	12,000
Balance - End of year	<u>42,408</u>	<u>90,376</u>

North Shore Rural Community Fire Co.

Statement of Operations

For the year ended December 31, 2019

	Budget (unaudited) 2019 \$	Actual 2019 \$	Actual 2018 \$
Revenue			
Rural Municipality of North Shore	207,075	207,075	146,697
Sherwood	78,345	79,479	73,155
York Community Council	22,988	22,989	23,214
Grand Tracadie	-	-	25,197
Pleasant Grove	-	-	25,971
Union Road	10,514	10,515	9,672
Province of P.E.I. grant	-	2,895	2,879
Miscellaneous	15,000	14,243	666
	<u>333,922</u>	<u>337,196</u>	<u>307,451</u>
Expenditures			
Building repairs and maintenance	8,000	15,781	12,910
Dues and registration	3,000	2,979	2,195
Electricity	5,000	3,658	3,278
Fuel - vehicle	4,000	3,093	2,490
Fuel - heating	4,000	5,645	4,940
Honoraria and banquet	61,300	60,751	57,867
Insurance	15,000	14,081	13,504
Miscellaneous	2,500	4,774	2,183
Equipment purchases (note 4)	50,000	382,347	19,140
Professional fees	5,600	2,769	2,769
Property taxes	-	2,895	2,879
Snow removal	3,500	3,089	2,769
Telephone and internet	15,000	9,441	9,476
Training	10,000	4,267	7,496
Treasurer honorarium	3,250	3,250	3,250
Vehicle and equipment repairs	10,000	4,249	3,642
40th anniversary expense	-	5,533	-
	<u>200,150</u>	<u>528,602</u>	<u>150,788</u>
Excess revenue (expenditures) for the year	<u>133,772</u>	<u>(191,406)</u>	<u>156,663</u>

North Shore Rural Community Fire Co.

Statement of Cash Flows

For the year ended December 31, 2019

	2019	2018
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess revenue (expenditures) for the year	(191,406)	156,663
Net change in non-cash working capital items		
Decrease (increase) in HST receivable	(27,564)	4,297
Decrease (increase) in prepaid expenses	(368)	162
Increase (decrease) in accounts payable	(4,468)	6,401
	<u>(223,806)</u>	<u>167,523</u>
Financing activities		
Interest earned - Fireman's Gratuity fund	95	81
Interest earned - Fire Truck Replacement fund	39	84
	<u>134</u>	<u>165</u>
Investing activity		
Decrease (increase) in restricted cash	28,489	(63,522)
Increase (decrease) in cash and cash equivalents	(195,183)	104,166
Cash and cash equivalents - Beginning of year	460,173	356,007
Cash and cash equivalents - End of year	<u>264,990</u>	<u>460,173</u>

North Shore Rural Community Fire Co.

Notes to Financial Statements

December 31, 2019

1 General

The purpose of the North Shore Rural Community Fire Co. is to provide fire protection to the communities in the North Shore area and stewardship over revenue collected from the resident property tax assessments. The organization is exempt from income tax under section 149(1)(l) of the *Income Tax Act*.

2 Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. These financial statements include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents consists of bank account balances.

Restricted cash

Short-term restricted cash consists of internally restricted funds, held in a separate bank account, set up by the Board of Directors to assist in meeting annual honoraria obligations.

Long-term restricted cash consists of savings accounts set up by the Board of Directors for the Fireman's Gratuity Fund and Fire Truck Replacement Fund.

Capital assets

Capital assets are recorded as expenses in the year they are acquired.

Revenue recognition

Revenues are recorded in the period in which the transaction or events that give rise to the revenues occur. Amounts that have been recorded in advance of services being rendered are recorded as deferred revenue until the organization discharges the obligations that led to the collection of funds.

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for non-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 the financial statements and the reported amounts of revenues and expenses during the current period. Actual results could differ from those estimates.

North Shore Rural Community Fire Co.

Notes to Financial Statements

December 31, 2019

Fund accounting

The North Shore Rural Community Fire Co. follows the restricted fund method of accounting for contributions. The restricted fund method of accounting for contributions is a specialized type of fund accounting that reports the details of financial statement elements by fund. Amounts are transferred into and out of these funds at the discretion of the Board of Directors.

The Fireman's Gratuity Fund is an internally restricted fund which entitles retiring members in good standing to receive an honorarium when they retire from the organization.

The Fire Truck Replacement Fund is an internally restricted fund established to accumulate funds to enable the organization to purchase new fire trucks when deemed necessary.

Financial instruments

(a) Measurement of financial instruments

The organization's financial instruments consist of cash and cash equivalents, restricted cash and accounts payable.

The organization 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 to the instrument. This fair value amount is then deemed to be the amortized cost of the financial instrument.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

(b) Impairment

For financial assets measured at cost or amortized cost, the organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess revenue. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess revenue.

(c) Risks

Transacting in financial instruments exposes the organization to certain financial risks and uncertainties. These risks include:

Liquidity risk: The organization's exposure to liquidity risk is dependent on the collection of accounts receivable or raising of funds to meet commitments and sustain operations. The organization controls liquidity risk by management of working capital, cash flows and availability of borrowing facilities.

North Shore Rural Community Fire Co.

Notes to Financial Statements

December 31, 2019

3 Restricted cash

	2019	2018
	\$	\$
Fireman's Gratuity fund	32,748	34,777
Fire truck Replacement fund	42,408	90,376
	<u>75,156</u>	<u>125,153</u>

The restricted cash is maintained in two separate savings accounts earning 0.1% interest and one savings account earning 0.9% interest.

Fireman's Gratuity Fund

In 2008, the fire organization set up a gratuity fund which entitles retiring members in good standing to receive an honorarium when they retire from the organization. The retiring member will receive \$100 for each year of service. As at December 31, 2019, the estimated potential liability is \$39,700 (2018 - \$38,880). The Gratuity Fund will be funded out of current operations and the fund balance plus accumulated interest will be held in a separate bank account. During the year, \$2,124 (2018 - nil) was transferred to current operations to fund the payout to retiring members.

Fire Truck Replacement Fund

In 2012, the fire organization set up a fire truck replacement fund to be funded out of current operations, and the fund balance plus accumulated interest will be held in a separate bank account.

In 2019, \$12,000 (2018 - \$12,000) was transferred into this fund to be used toward the purchase of a fire truck within the next five years. Additionally in 2019, \$60,007 (2018 - nil) was transferred out of this fund to be used towards the purchase of a new fire truck.

4 Capital assets

The cumulative cost of capital assets expensed by the North Shore Rural Community Fire Co. that are still used are as follows:

	2019	2018
	\$	\$
Building	234,000	234,000
Fire truck	665,681	324,759
Automotive equipment	298,655	298,655
	<u>1,198,336</u>	<u>857,414</u>

North Shore Rural Community Fire Co.

Notes to Financial Statements

December 31, 2019

During fiscal 2019, the North Shore Rural Community Fire Co. purchased a new fire truck at a cost of \$175,069 and a new Freightliner Chassis at a cost of \$165,853. These fire truck additions were paid for by cash. The cash amount was expensed and included in major equipment purchases. There were no capital purchases in 2018.

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2019 Actual from Audit

REVENUE

Revenue - N.S.C.C.	207,075.00
Revenue - U.R.C.C.	10,515.00
Revenue - S.C.C	79,479.00
Revenue - Y.C.C.	22,989.00
Province of PEI grant	2,895.00
Other Revenue	14,000.00
Interest Income	242.79
	337,195.79

EXPENDITURES

Bldg repairs and maint	15,780.76
Banquet	3,901.25
Dues	2,979.34
Electricity	3,657.55
Fuel - Vehicle	3,093.18
Fuel - Heating	5,645.40
Honorarium	56,850.00
Treasurer Honorarium	3,250.00
Insurance	14,081.00
40th anniversary expense	5,533.45
Parts and supplies	382,347.25
Misc and supplies	4,773.26
Professional Fees	2,769.00
Property Tax	2,895.00
Telephone	9,441.24
Training	3,271.21
Travel	995.59
Snow Removal	3,088.50
Vehicle & equip repairs	4,248.60
	528,601.58

2020 Budget

Revenue - N.S.C.C.	209,400.00
Revenue - U.R.C.C.	10,764.00
Revenue - S.C.C	80,196.00
Revenue - Y.C.C.	22,740.00
Province of PEI grant	2,895.00
Interest Income	242.79
	326,237.79

EXPENDITURES

Bldg repairs and maint	18,000.00
Banquet	4,000.00
Dues	3,000.00
Electricity	4,000.00
Fuel - Vehicle	4,000.00
Fuel - Heating	6,000.00
Honorarium	60,000.00
Treasurer Honorarium	3,250.00
Insurance	15,000.00
40th anniversary expense	0.00
Parts and supplies	65,000.00
Misc and supplies	5,000.00
Professional Fees	3,000.00
Property Tax	2,895.00
Telephone	10,000.00
Training	3,500.00
Travel	0.00
Snow Removal	3,500.00
Vehicle & equip repairs	5,000.00
	211,145.00