

North Shore Rural Community Fire Co.

Financial Statements
December 31, 2014



June 29, 2015

Independent Auditor's Report

To the Members of North Shore Rural Community Fire Co.

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, 2014, and the statements of operations, changes in net assets and cash flows 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 in our audit 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 **North Shore Rural Community Fire Co.** as at December 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.

Arsenault Best Cameron Ellis

Chartered Accountants

North Shore Rural Community Fire Co.

Statement of Financial Position

As at December 31, 2014

	2014 \$	2013 \$
Assets		
Current assets		
Cash and cash equivalents	231,678	262,968
Accounts receivable (note 3)	26,344	4,428
Prepaid expenses	117,328	3,256
	<hr/>	<hr/>
	375,350	270,652
Restricted investments (note 4)	68,229	60,742
Capital assets (note 5)	-	-
	<hr/>	<hr/>
	443,579	331,394
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Liabilities		
Current liability		
Accounts payable	2,954	4,761
	<hr/>	<hr/>
Net Assets		
Unrestricted	372,396	265,891
	<hr/>	<hr/>
Restricted		
Fireman's Gratuity fund (note 4)	41,640	34,716
Fire Truck Replacement fund (note 4)	26,589	26,026
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	68,229	60,742
	<hr/>	<hr/>
	440,625	326,633
	<hr/>	<hr/>
	443,579	331,394
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Approved by the Membership

_____ Member

_____ Member

North Shore Rural Community Fire Co.

Statement of Changes in Net Assets For the year ended December 31, 2014

	2014	2013
	\$	\$
Unrestricted Net Assets		
Balance - Beginning of year	265,891	160,269
Excess revenue for the year	113,248	117,622
Transfer from Fireman's Gratuity Fund	5,257	-
Transfer to Fireman's Gratuity Fund	(12,000)	(12,000)
	<hr/>	<hr/>
Balance - End of year	372,396	265,891
	<hr/>	<hr/>

Restricted Net Assets - Fireman's Gratuity Fund

Balance - Beginning of year	34,716	22,613
Transfer from Unrestricted Net Assets	12,000	12,000
Interest earned	181	103
Transfer to Unrestricted Net Assets	(5,257)	-
	<hr/>	<hr/>
Balance - End of year	41,640	34,716
	<hr/>	<hr/>

Restricted Net Assets - Fire Truck Replacement Fund

Balance - Beginning of year	26,026	25,464
Interest earned	563	562
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Balance - End of year	26,589	26,026
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North Shore Rural Community Fire Co.

Statement of Operations

For the year ended December 31, 2014

	Budget (unaudited) 2014 \$	Actual 2014 \$	Actual 2013 \$
Revenue			
North Shore	138,051	126,843	123,657
Sherwood	72,663	67,083	65,115
York Community Council	22,703	20,667	20,346
Grand Tracadie	25,467	23,253	22,797
Pleasant Grove	24,212	22,938	21,675
Union Road	9,598	8,676	8,598
Province of P.E.I. grant	-	22,418	2,775
Miscellaneous	9,270	440	11,015
	<u>301,964</u>	<u>292,318</u>	<u>275,978</u>
Expenditures			
Bad debts	-	-	3,384
Building repairs and maintenance	18,000	9,242	13,547
Dues and registration	3,000	2,593	3,024
Electricity	5,000	2,952	3,111
Fuel - vehicle	6,000	2,361	3,946
Fuel - heating	6,000	5,763	7,565
Honoraria and banquet	33,500	44,696	27,456
Insurance	10,000	12,240	9,372
Major equipment purchases	52,000	36,585	19,004
Miscellaneous and supplies	9,500	1,744	7,560
Professional fees	-	2,957	3,141
Property taxes	-	2,796	2,775
Retirement fund	7,600	-	-
Snow removal	3,500	1,541	1,500
Telephone and internet	16,000	9,241	11,680
Training	19,000	17,025	16,258
Treasurer honorarium	2,500	2,500	1,500
Vehicle and equipment repairs	10,000	24,834	23,533
	<u>201,600</u>	<u>179,070</u>	<u>158,356</u>
Excess revenue for the year	<u>100,364</u>	<u>113,248</u>	<u>117,622</u>

North Shore Rural Community Fire Co.

Statement of Cash Flows

For the year ended December 31, 2014

	2014	2013
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess revenue for the year	113,248	117,622
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	(21,916)	6,802
Decrease (increase) in prepaid expenses	(114,072)	19
Decrease in accounts payable	(1,807)	(1,377)
	(137,795)	5,444
	(24,547)	123,066
Financing activities		
Interest earned - Fireman's Gratuity fund	181	103
Interest earned - Fire Truck Replacement fund	563	562
	744	665
Investing activity		
Increase in restricted investments	(7,487)	(12,665)
Increase (decrease) in cash and cash equivalents	(31,290)	111,066
Cash and cash equivalents - Beginning of year	262,968	151,902
Cash and cash equivalents - End of year	231,678	262,968

North Shore Rural Community Fire Co.

Notes to Financial Statements

December 31, 2014

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 company 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.

Capital assets

Capital assets financed from operating revenues are expensed during the year.

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 products being delivered or services being rendered are recorded as deferred revenue until the company 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. Significant items subject to such estimates and assumptions include the valuation of accounts receivable. Actual results could differ from those estimates.

North Shore Rural Community Fire Co.

Notes to Financial Statements

December 31, 2014

Financial instruments

(a) Measurement of financial instruments

The organization's financial instruments consist of cash and cash equivalents, accounts receivable, restricted investments 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 except for publicly traded securities which are measured at quoted market value.

(b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net earnings. The write-down reflects the difference between the carrying amount and the higher of:

- i) The present value of the cash flows expected to be generated by the asset or group of assets;
- ii) The amount that could be realized by selling the asset or group of assets;
- iii) The net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net earnings up to the amount of the previously recognized impairment.

(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, 2014

3 Accounts receivable

	2014	2013
	\$	\$
Trade	9,811	-
HST	16,533	4,428
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	26,344	4,428
	<hr/>	<hr/>

4 Restricted investments

	2014	2013
	\$	\$
Fireman's Gratuity fund	41,640	34,716
Fire truck Replacement fund	26,589	26,026
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	68,229	60,742
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Fireman's Gratuity Fund

In 2008, the fire company set up a gratuity fund which entitles retiring members in good standing to receive an honorarium when they retire from the company. The retiring member will receive \$100 for each year of service. As at December 31, 2014, the estimated potential liability is \$35,600. 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, \$5,257 was transferred to current operations to fund the payout to retiring members.

Fire Truck Replacement Fund

In 2012, the fire company set up a fire truck replacement fund into which they would contribute \$25,000 per year from 2012 to 2014 for a total of \$75,000 to replace an existing fire truck. The Replacement Fund will be funded out of current operations and the fund balance plus accumulated interest will be held in a separate bank account. In 2013 and 2014, there were no transfers made to this fund as the North Shore Rural Community Fire Co. expects to replace the fire truck in 2015.

North Shore Rural Community Fire Co.

Notes to Financial Statements

December 31, 2014

5 Capital assets

The North Shore Rural Community Fire Co. added to and renovated its building in 2004 at a cost of \$234,000. The building addition was paid for by cash of \$52,000, and a collateral mortgage of \$182,000. The cash amount was expensed and included in major equipment purchases in the year paid and an amount equal to the mortgage loan was capitalized, and was being amortized at an amount equal to the annual principal payments on the related long-term debt.

During fiscal 2011, North Shore Rural Community Fire Co. paid out all the remaining long-term debt in relation to capital asset purchases. Capital assets are now fully amortized for financial statement presentation purposes.

			2014	2013
	Cost	Accumulated amortization \$	Net \$	Net \$
Building	182,000	182,000	-	-
Automotive equipment	298,655	298,655	-	-
	480,655	480,655	-	-