

**North Shore Rural Community Fire Co.**

Financial Statements  
**December 31, 2018**

Draft

**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, 2018, 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, 2018, 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, 2018

	2018 \$	2017 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	460,173	356,007
Restricted cash	81,289	29,932
Accounts receivable (note 3)	5,775	10,072
Prepaid expenses	4,448	4,610
	<u>551,685</u>	<u>400,621</u>
<b>Restricted cash</b> (note 4)	125,153	112,988
<b>Capital assets</b> (note 6)	-	-
	<u>676,838</u>	<u>513,609</u>
<b>Liability</b>		
<b>Current liability</b>		
Accounts payable	<u>12,932</u>	<u>6,531</u>
<b>Net Assets</b>		
<b>Unrestricted</b>	<u>538,753</u>	<u>394,090</u>
<b>Restricted</b>		
Fireman's Gratuity fund (note 4)	34,777	34,696
Fire Truck Replacement fund (note 4)	90,376	78,292
	<u>125,153</u>	<u>112,988</u>
	<u>663,906</u>	<u>507,078</u>
	<u>676,838</u>	<u>513,609</u>

Approved by the Membership

\_\_\_\_\_ Member

\_\_\_\_\_ Member

# North Shore Rural Community Fire Co.

## Statement of Changes in Net Assets - Restricted and Unrestricted For the year ended December 31, 2018

	2018 \$	2017 \$
<b>Unrestricted Net Assets</b>		
<b>Balance - Beginning of year</b>	394,090	274,857
Excess revenue for the year	156,663	127,367
Transfer from Fireman's Gratuity Fund (note 4)	-	3,866
Transfer to Fire Truck Replacement Fund (note 4)	(12,000)	(12,000)
<b>Balance - End of year</b>	<u>538,753</u>	<u>394,090</u>
 <b>Restricted Net Assets - Fireman's Gratuity Fund</b>		
<b>Balance - Beginning of year</b>	34,696	38,429
Transfer to Unrestricted Net Assets (note 4)	-	(3,866)
Interest earned	81	133
<b>Balance - End of year</b>	<u>34,777</u>	<u>34,696</u>
 <b>Restricted Net Assets - Fire Truck Replacement Fund</b>		
<b>Balance - Beginning of year</b>	78,292	66,123
Interest earned	84	169
Transfer from Unrestricted Net Assets (note 4)	12,000	12,000
<b>Balance - End of year</b>	<u>90,376</u>	<u>78,292</u>

# North Shore Rural Community Fire Co.

## Statement of Operations

For the year ended December 31, 2018

	Budget (unaudited) 2018 \$	Actual 2018 \$	Actual 2017 \$
<b>Revenue</b>			
North Shore	148,104	146,697	140,664
Sherwood	76,404	73,155	72,822
York Community Council	23,736	23,214	21,618
Grand Tracadie	25,668	25,197	23,763
Pleasant Grove	26,328	25,971	24,843
Union Road	9,768	9,672	9,372
Province of P.E.I. grant	-	2,879	2,860
Miscellaneous	15,000	666	1,855
	<u>325,008</u>	<u>307,451</u>	<u>297,797</u>
<b>Expenditures</b>			
Building repairs and maintenance	8,000	12,910	10,640
Dues and registration	3,000	2,195	1,113
Electricity	5,000	3,278	3,663
Fuel - vehicle	4,000	2,490	2,732
Fuel - heating	4,000	4,940	6,003
Honoraria and banquet	61,300	57,867	58,463
Insurance	15,000	13,504	13,103
Parts and supplies	5,000	19,140	25,495
Miscellaneous	5,600	2,183	6,680
Professional fees	-	2,769	2,769
Property taxes	-	2,879	2,860
Retirement fund	20,000	-	-
Snow removal	3,500	2,769	1,811
Telephone and internet	12,000	9,476	9,559
Training	17,500	7,496	13,529
Treasurer honorarium	-	3,250	3,250
Vehicle and equipment repairs	10,000	3,642	8,760
	<u>173,900</u>	<u>150,788</u>	<u>170,430</u>
<b>Excess revenue for the year</b>	<u>151,108</u>	<u>156,663</u>	<u>127,367</u>

# North Shore Rural Community Fire Co.

## Statement of Cash Flows

For the year ended December 31, 2018

	2018	2017
	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess revenue for the year	156,663	127,367
Item not affecting cash		
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	4,297	(6,776)
Decrease (increase) in prepaid expenses	162	(138)
Increase in accounts payable	6,401	2,092
	<u>167,523</u>	<u>122,545</u>
<b>Financing activities</b>		
Interest earned - Fireman's Gratuity fund	81	133
Interest earned - Fire Truck Replacement fund	84	169
	<u>165</u>	<u>302</u>
<b>Investing activity</b>		
Increase in restricted cash	<u>(63,522)</u>	<u>(38,368)</u>
<b>Increase in cash and cash equivalents</b>	104,166	84,479
<b>Cash and cash equivalents - Beginning of year</b>	<u>356,007</u>	<u>271,528</u>
<b>Cash and cash equivalents - End of year</b>	<u>460,173</u>	<u>356,007</u>

# North Shore Rural Community Fire Co.

Notes to Financial Statements

December 31, 2018

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## 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

Cash 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 products being delivered or 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, 2018

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## 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, accounts receivable 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, 2018

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## 3 Accounts receivable

	2018	2017
	\$	\$
Trade	-	2,860
HST	5,775	7,212
	<u>5,775</u>	<u>10,072</u>

## 4 Restricted cash

	2018	2017
	\$	\$
Fireman's Gratuity fund	34,777	34,696
Fire truck Replacement fund	90,376	78,292
	<u>125,153</u>	<u>112,988</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, 2018, the estimated potential liability is \$38,880 (2017 - \$37,100). 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, nil (2017 - \$3,866) was transferred to current operations to fund the payout to retiring members. During the year, nil (2017 - nil) was transferred from current operations to the gratuity fund.

### Fire Truck Replacement Fund

In 2012, the fire organization set up a fire truck 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 2018, \$12,000 (2017 - \$12,000) was transferred into this fund to be used toward the purchase of another fire truck within the next five years.

# North Shore Rural Community Fire Co.

Notes to Financial Statements

December 31, 2018

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## 5 Capital assets

The cost of capital assets held by the North Shore Rural Community Fire Co. are as follows:

	2018	2017
	\$	\$
Building	234,000	234,000
Fire truck	324,759	324,759
Automotive equipment	298,655	298,655
	<u>857,414</u>	<u>857,414</u>

## 6 Commitment

On July 12, 2018, North Shore Rural Community Fire Co. committed to the purchase a new Freightliner Chassis for \$150,775 plus HST and a new Tandem Axle Tanker for \$147,358.65 plus HST. As of December 31, 2018, construction of the Freightliner Chassis and Tandem Axle Tanker had yet to be completed. The new Freightliner Chassis was paid for in full on January 18, 2019.

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