FINANCIAL STATEMENTS

DECEMBER 31ST, 2019

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IDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NOVA SCOTIA CONSTRUCTION SAFETY ASSOCIATION:

Opinion

We have audited the financial statements of Nova Scotia Construction Safety Association ("the Association"), which comprise the statement of financial position as at December 31, 2019 and the statements of operations, changes in net assets 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 the Association as at December 31, 2019, and 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association 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 notfor-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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

Auditors’ 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 auditors’ 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 Association’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 Association’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 auditors’ report. However, future events or conditions may cause the Association 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.

Baker Tilly Nova Scotia Inc.
Chartered Professional Accountants
Licensed Public Accountants

Dartmouth, Nova Scotia
May 8, 2020

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2019

	BUDGET 2019	ACTUAL 2019	ACTUAL 2018
REVENUE			
Membership (note 12)	$ 2,174,000	$ **2,144,877**	$ 2,038,046
Safety Services	890,689	**889,642**	986,218
Other (note 13)	60,500	**65,587**	74,245
	3,125,189	**3,100,106**	3,098,509
SAFETY SERVICES EXPENSES			
Salaries and benefits – training	680,934	**658,536**	621,409
Training	122,000	**104,847**	120,002
Salaries & benefits – COR services	603,112	**583,275**	550,391
COR services	46,645	**37,681**	34,492
Salaries and benefits - OH&S	389,105	**376,307**	355,091
OH&S services	26,250	**16,356**	20,843
Research and communications	342,310	**164,985**	149,916
Quality assurance	8,814	**6,480**	2,348
Amortization of capital assets	16,418	**14,395**	14,427
	2,235,588	**1,962,862**	1,868,919
ADMINISTRATIVE EXPENSES			
Salaries and benefits	272,373	**263,503**	248,594
e-Logic learning system	151,270	**123,975**	32,807
Professional fees	103,700	**105,937**	73,852
Staff education	38,661	**34,086**	20,366
Staff travel	25,775	**24,109**	24,721
Interest and bank charges	20,050	**15,075**	16,810
Board of directors	30,700	**5,957**	6,766
Other	23,600	**16,767**	13,655
	666,129	**589,409**	437,541
OPERATING EXPENSES			
Property	165,650	**160,030**	151,632
Amortization of capital assets	92,063	**84,390**	65,466
Amortization of intangible assets	41,202	**41,202**	31,442
Telephone	26,700	**18,079**	21,329
Postage	20,250	**19,295**	14,064
Office supplies	21,000	**20,129**	17,409
Advertising and promotion	5,500	**2,664**	3,780
Office equipment operating leases	2,220	**2,227**	1,712
	374,585	**348,016**	306,834
Total expenses	3,276,302	**2,900,287**	2,613,284
Excess (deficiency) of revenues over expenses	($ 151,113)	**$ 199,819**	$ 485,215

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS	2019	2018
CURRENT		
Cash	$ **1,133,507**	$ 1,040,479
Cash - internally restricted	**204,068**	250,058
Accounts receivable (note 3)	**360,969**	424,115
Prepaids	**34,604**	16,653
	1,733,148	1,731,305
Capital assets (note 4)	**1,469,714**	1,094,470
Intangible assets (note 5)	**291,530**	313,232
	$ **3,494,392**	$ 3,139,007

LIABILITIES	2019	2018
CURRENT		
Accounts payable and accrued liabilities (Note 6)	$ **144,396**	$ 38,750
Deferred revenue (Note 7)	**34,160**	22,084
Current portion of obligations under capital lease	**8,971**	12,105
	187,527	72,939
Obligations under capital lease (Note 8)	**40,978**	-
	228,505	72,939

NET ASSETS	2019	2018
Investment in capital and intangible assets	**1,711,295**	1,395,597
Unrestricted	**1,350,524**	1,420,413
Internally restricted (note 9)	**204,068**	250,058
	3,265,887	3,066,068
	$ **3,494,392**	$ 3,139,007

COMMITMENTS (NOTE 10)

SUBSEQUENT EVENT (NOTE 11)

STATEMENT OF CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2019

	Investment in Capital and Intangible Assets	Unrestricted	Internally Restricted (Note 9)	2019 Total	2018 Total
Net assets - beginning of year	$ 1,395,597	$ 1,420,413	$ 250,058	$ 3,066,068	$ 2,580,853
Excess (deficiency) of revenue over expenses	(139,987)	336,796	3,010	199,819	485,215
Acquisition of capital assets	480,215	(280,215)	(200,000)	-	-
Acquisition of intangible assets	19,500	(19,500)	-	-	-
Disposal of capital assets	(6,186)	6,186	-	-	-
Payments on obligations under capital lease	12,105	(12,105)	-	-	-
Proceeds on obligation under capital lease	(49,949)	49,949	-	-	-
Interfund transfers	-	(151,000)	151,000	-	-
Net assets - end of year	$ 1,711,295	$ 1,350,524	$ 204,068	$ 3,265,887	$ 3,066,068

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

OPERATING ACTIVITIES	2019	2018
Excess of revenues over expenses	$ 199,819	$ 485,215
Items not affecting cash		
Amortization of capital assets	98,785	79,893
Gain on disposal of capital assets	(1,214)	-
Amortization of intangible assets	41,202	31,442
	338,592	596,550
Changes in non-cash working capital items		
Accounts receivable	63,146	19,129
Prepaids	(17,951)	(1,695)
Accounts payable and accrued liabilities	105,646	(27,266)
Deferred revenue	12,076	(44,064)
	501,509	542,064

FINANCING ACTIVITIES	2019	2018
Payments on obligations under capital lease	(12,105)	(12,246)

INVESTING ACTIVITIES	2019	2018
Proceeds on disposal of investments	-	527,713
Acquisition of capital assets	(430,266)	(106,396)
Proceeds on disposal of capital assets	7,400	-
Acquisition of intangibles	(19,500)	(109,212)
	(442,366)	312,105
CHANGE IN CASH	47,038	841,923
CASH - beginning of year	1,290,537	448,614
CASH - end of year	$ 1,337,575	$ 1,290,537
CASH CONSISTS OF:		
Cash	$ 1,133,507	$ 1,040,479
Cash - internally restricted	204,068	250,058
	$ 1,337,575	$ 1,290,537

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

1. OPERATIONS

The Nova Scotia Construction Safety Association ("the Association") was incorporated under the Societies Act of Nova Scotia on May 21, 1993. It is committed to providing quality, accessible and affordable safety services. As an Association founded by and responsible to the construction industry, the Association is dedicated to developing a positive occupational health and safety culture within the province's construction sector and it's communities of interest. The Association is a non-profit organization and is exempt from income taxes under Section 149.1(1) of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(b) Net asset funds

Investment in Capital Assets Fund

The Investment in Capital and Intangible Assets Fund is used to account for capital and intangible assets, including their acquisition, financing, amortization and disposal. Operating costs of capital assets are accounted for by the Investment in Capital and Intangible Assets Fund.

Unrestricted Fund

The Unrestricted Fund is used for the Association's day-to-day ongoing activities. This fund includes the assets, liabilities, revenues and expenses other than those related to the Investment in Capital and Intangible Assets Fund and Internally Restricted Fund.

Internally Restricted Fund

The Internally Restricted Fund was created by the Board of Directors for the purpose of financing the cost of specific future capital asset replacements

(c) Cash and internally restricted cash

Cash and internally restricted cash consists of cash on hand and bank balances held with a financial institution.

(d) Capital assets

Capital assets are recorded at cost. Amortization is provided for using the following rates and methods over their estimated useful lives:

Assets under capital lease	Term of lease	Straight line
Building	4%	Diminishing balance
Computer equipment - administrative	30%	Diminishing balance
Computer equipment - services	30%	Diminishing balance
Office equipment	20%	Diminishing balance
Paving	8%	Diminishing balance
Sign	10%	Diminishing balance
Training equipment	20%	Diminishing balance
Vehicle	30%	Diminishing balance

One-half year's amortization is taken in the year of acquisition and year of disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Intangible assets

Intangible assets are accounted for at cost. Amortization is based on the estimated useful life using the straight line method over a 5-10 year period. One half year's amortization is taken in the year of acquisition and year of disposal.

(f) Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. Any impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(g) Revenue recognition

Membership revenue

Membership revenue relating to the Workers' Compensation Board of Nova Scotia ("WCB") levy is recorded based on amounts provided by WCB as per Note 12. Associate membership revenue is recorded when billed, at the beginning of the membership term, provided collection is reasonably assured.

Safety services

Safety services revenue is recognized when the service has been provided to the member, provided the price is fixed or determinable and collection is reasonably assured.

Other revenue

Other revenue, consisting of investment, rental and other, is recognized on a monthly basis, when earned, provided the price is fixed or determinable and collection is reasonably assured.

(h) Financial instruments

Measurement of financial statements

The Association initially measures its financial assets and financial liabilities at fair value.

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

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and obligation under capital lease.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write down is recognized in the excess of revenues over expenses. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by ad justing the allowance account, provided it is no 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 any reversal is recognized in the excess of revenues over expenses.

(i) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for items and matters such as allowance for uncollectible accounts receivable, WCB levy receivable, useful lives of capital assets and certain accrued liabilities. Actual results could differ from those estimates.

The main item for which a significant estimate was made is accounts receivable for a levy received from WCB. To estimate this amount, management is required to make various assumptions that it considers reasonable. Any changes to the assumptions could have a significant impact on the Association's excess of revenues over expenses and financial position. As a result, the membership revenue of the Association could increase or decrease in upcoming years as described in Note 12.

(j) Government assistance

Capital asset grants are accounted for as a reduction of the cost of the related asset. Operating grants are accounted for as other income.

3. ACCOUNTS RECEIVABLE

	2019	2018
Trade receivables	$ 120,410	$ 110,438
WCB levy receivable	257,502	322,506
HST recoverable	-	4,626
Allowance for doubtful accounts	(16,943)	(13,455)
	$ 360,969	$ 424,115

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2019	Net 2018
Land	$ 128,565	$ -	**$ 128,565**	$ 128,565
Assets under capital lease	49,949	4,995	**44,954**	10,653
Building	1,427,273	651,786	**775,487**	798,027
Computer equipment - administrative	228,723	201,335	**27,388**	26,378
Computer equipment - services	382,447	369,404	**13,043**	20,546
Office equipment	211,352	174,716	**36,636**	32,124
Paving	412,014	22,889	**389,125**	24,510
Sign	27,461	14,754	**12,707**	14,118
Training equipment	194,213	152,404	**41,809**	32,272
Vehicle	-	-	**-**	7,277
	$ 3,061,997	$ 1,592,283	**$1,469,714**	$1,094,470

5. INTANGIBLE ASSETS

	Cost	Accumulated Amortization	Net 2019	Net 2018
Application development	$ 19,500	-	**$ 19,500**	-
Curriculum development	$ 304,078	$ 111,802	**$ 192,276**	$ 222,684
LMS software system	86,548	11,655	**74,893**	84,298
Website	6,945	2,084	**4,861**	6,250
	$ 417,071	$ 125,541	**$ 291,530**	$ 313,232

Included in Application development is $19,500 for a web tool that is under development. No amortization has been claimed as it was not available for use at year end.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Trade payables	$ 106,175	$ 30,351
Accrued liabilities	37,870	8,399
Government remittances	351	-
	$ 144,396	$ 38,750

7. DEFERRED REVENUE

	2019	2018
Deferred revenue consists of:		
Safety services	$ 34,160	$ 22,084

8. OBLIGATION UNDER CAPITAL LEASE

	2019	2018
Xerox Canada Ltd, secured by office equipment with a carrying value of $44,954, repayable in quarterly instalments of $2,858 until December 2024, including interest at 5.27% per annum.	$ 49,949	$ -
Retired lease obligation	-	12,105
Less current portion	8,971	12,105
	$ 40,978	-

Assuming like terms, future minimum lease payments due over the next five years on obligation under capital lease are as follows:

2020	$ 11,430
2021	11,430
2022	11,430
2023	11,430
2024	11,430
	57,150
Less amount representing interest	7,201
Balance	$ 49,949

9. INTERNALLY RESTRICTED NET ASSETS

The Association has established a capital reserve fund for the purpose of financing the cost of specific future capital asset replacement. Annual funding and the specific projects that are to be financed by the capital reserve fund are decided by the Board. The funds are held in the capital reserve fund's interest bearing bank account.

10. COMMITMENTS

The Association has entered into lease agreements for a vehicle and office equipment. Future minimum lease payments over the next five years are as follows:

2020	$ 9,357
2021	$ 9,357
2022	$ 9,357
2023	$ 2,457
2024	$ 614

11. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Association's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Association's operations.

Management is monitoring the situation and continually assessing ways to mitigate the impact. The classroom portion of safety services revenue has stopped and more courses are being offered online as an alternative. The extent of the impact of this outbreak and related containment measures on the Association's operations cannot be reliably estimated at this time.

12. MEMBERSHIP REVENUE

Included in membership revenue is the industry-wide levy received by the Association from construction contractors. At each year end, the Association records an amount receivable for this levy based on amounts provided by WCB. The levy is calculated based on $0.17 per $100 of estimated payroll for employers in the construction and ready-mix concrete industries. The receivable amount is an estimate based on changing factors and as a result is subject to over or understatement. Any amounts received in excess of the prior year's receivable are recorded as revenue in the year in which they are received.

During the year, WCB converted to a new information management system which created challenges in providing accurate monthly levy information to the Association. As a result, starting in June 2019, monthly levy payments were based on estimates of prior year payment amounts rather than actual assessments. This issue is expected to be resolved during fiscal 2020, at which point the Association will have a true-up adjustment. Despite some aspects of WCB's new information management system not being fully operational, the 2019 WCB levy receivable and related membership revenue were able to be reasonably estimated and reflected in the financial statements.

12. MEMBERSHIP REVENUE (CONTINUED)

	2019	2018
Levy received relating to the current fiscal year	$ 2,127,673	$ 2,049,113
Levy received relating to the prior years in excess (deficiency) of estimate	7,504	(21,667)
Associate membership revenue	9,700	10,600
	$ 2,144,877	$ 2,038,046

13. OTHER REVENUE

	2019	2018
Investment	$ 14,910	$ 9,122
Rental	41,028	41,938
Other	9,649	23,185
	$ 65,587	$ 74,245

14. OPERATING LINE OF CREDIT

The Association has an operating line of credit authorized in the amount of $250,000, secured by a general security agreement over all assets of the Association, bearing interest at the Bank's prime rate plus 1% per annum. As of December 31, 2019 the balance on the operating line of credit was $NIL (2018 - $NIL).

15. FINANCIAL INSTRUMENTS

Risks and concentrations

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations at December 31, 2019.

It is management's opinion that the Association is not exposed to significant market, currency, interest rate and price risks from its financial instruments. The risks arising on financial instruments are limited to the following:

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. Financial instruments that potentially subject the Association to concentrations of credit risk consist of cash and accounts receivable. The Association deposits its cash in a reputable financial institution and therefore believes the risk of loss to be remote. The Association is exposed to credit risk from accounts receivable. Approximately 76% (2018 - 73%) of the Association's accounts receivable balance is due from WCB. The Association believes this credit risk is minimized as the Association has a close business relationship and no collection issues with WCB in the past. A provision for impairment of accounts receivable is established when there is objective evidence that the Association will not be able to collect all amounts due.

Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and obligation under capital lease. The Association generates sufficient cash flow from operating activities to fund operations and fulfil obligations as they become due. Sufficient financing facilities are in place should cash requirements exceed cash generated from operations.

16. BUDGET AMOUNTS

The budget amounts disclosed on the statement of operations are unaudited and are provided for information purposes only.

17. ECONOMIC DEPENDENCE

The Association is economically dependent on monies collected from employers in the construction sector in the form of a levy. The levy is collected on the Association's behalf by WCB. There is an agreement in place between the Association and WCB regarding this levy. The agreement commenced on September 1, 2015 and ends on August 31, 2020 with an option to renew the agreement until August 31, 2024.

18. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform with the financial statement presentation adopted for the current year.

35 MacDonald Ave
Dartmouth Nova Scotia
B3B 1C6

1.800.971.3888
OR 902.468.6696
www.constructionsafetyns.ca