

**SASKATCHEWAN
ABILITIES COUNCIL INC.**

FINANCIAL STATEMENTS

December 31, 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SASKATCHEWAN ABILITIES COUNCIL INC.

We have audited the accompanying financial statements of Saskatchewan Abilities Council Inc., which comprise the statement of financial position as at December 31, 2016 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Saskatchewan Abilities Council Inc. derives part of its earnings from donations, the completeness of which is not susceptible to satisfactory audit verification for the year ended December 31, 2015. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Saskatchewan Abilities Council Inc. and we were not able to determine whether any adjustments might be necessary to recorded donations, the excess of revenue over expenses and cash flows from operations for the year ended December 31, 2015, current assets as at December 31, 2015, and net assets as at January 1, 2015 and December 31, 2015. Our audit opinion on the financial statements for the year ended December 31, 2015 was modified accordingly, because of the possible effects of this scope limitation. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Qualified Opinion

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Abilities Council Inc. as at December 31, 2016 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.

The image shows a handwritten signature in cursive script that reads "Deloitte LLP". The signature is written in black ink and is positioned above the printed name of the firm.

Chartered Professional Accountants
Licensed Professional Accountants

March 9, 2017
Saskatoon, Saskatchewan

SASKATCHEWAN ABILITIES COUNCIL INC.
STATEMENT OF OPERATIONS
year ended December 31, 2016

	2016	2015
REVENUE (see schedule)		
Regina Branch	\$ 6,146,470	\$ 5,714,982
Saskatoon Branch	8,690,254	7,960,075
Swift Current Branch	2,778,025	2,772,272
Yorkton Branch	5,644,716	5,450,847
Camp Easter Seal	833,817	937,862
Rehabilitation Services	12,084,632	12,250,331
Provincial Administration	2,246,321	2,500,926
	<u>38,424,235</u>	<u>37,587,295</u>
EXPENSES (see schedule)		
Regina Branch	6,597,668	6,090,762
Saskatoon Branch	9,099,347	8,437,897
Swift Current Branch	2,993,425	3,113,095
Yorkton Branch	5,787,299	5,763,846
Camp Easter Seal	1,235,911	1,312,891
Rehabilitation Services	11,935,366	12,171,078
Provincial Administration	667,983	602,367
	<u>38,316,999</u>	<u>37,491,936</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 107,236</u>	<u>\$ 95,359</u>

SASKATCHEWAN ABILITIES COUNCIL INC.
STATEMENT OF FINANCIAL POSITION
as at December 31, 2016

	2016	2015
CURRENT ASSETS		
Cash	\$ 2,825,043	\$ 1,463,849
Accounts receivable (Note 4)	1,219,479	1,767,597
Inventories (Note 5)	1,242,286	1,363,972
Prepaid expenses	160,436	260,188
	<u>5,447,244</u>	<u>4,855,606</u>
DESIGNATED INVESTMENTS (Note 6)	993,087	1,040,051
CAPITAL ASSETS (Note 7)	8,816,326	8,485,288
INTANGIBLE ASSET (Note 8)	6,000	18,000
	<u>\$ 15,262,657</u>	<u>\$ 14,398,945</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 9)	\$ 3,235,378	\$ 3,267,071
Deferred grants	2,096,716	1,541,047
Scheduled repayments of callable debt (Note 10)	30,212	-
Current portion of capital leases (Note 11)	4,665	5,985
	<u>5,366,971</u>	<u>4,814,103</u>
Callable debt (Note 10)	336,515	-
	<u>5,703,486</u>	<u>4,814,103</u>
CAPITAL LEASES (Note 11)	-	4,665
DEFERRED DONOR DESIGNATED FUNDS (Note 12)	201,343	252,607
UNAMORTIZED CAPITAL ASSET		
FUNDING (Notes 13 and 14)	2,408,740	2,560,947
	<u>8,313,569</u>	<u>7,632,322</u>
CONTINGENCIES (Note 13)		
COMMITMENTS (Note 15)		
NET ASSETS		
Net assets restricted for endowment purposes (Note 16)	541,744	537,444
Internally restricted net assets invested in capital and intangible assets	6,102,441	5,967,819
Internally restricted net assets - other (Note 16)	250,000	250,000
Unrestricted net assets	54,903	11,360
	<u>6,949,088</u>	<u>6,766,623</u>
	<u>\$ 15,262,657</u>	<u>\$ 14,398,945</u>

APPROVED BY THE BOARD

 Director
 Director

(see accompanying notes)

SASKATCHEWAN ABILITIES COUNCIL INC.
STATEMENT OF CHANGES IN NET ASSETS
year ended December 31, 2016

	Internally Restricted			Externally Restricted for Endowment Purposes	Unrestricted	2016 total	2015 total
	<i>Invested in Capital & Intangible Assets</i>	<i>Other</i>	<i>Total</i>				
Balance, beginning of year	\$ 5,967,819	\$ 250,000	\$ 6,217,819	\$ 537,444	\$ 11,360	\$ 6,766,623	\$ 6,595,164
Excess of revenue over expenses	-	-	-	-	107,236	107,236	95,359
Employee future benefits remeasurements and other items (Note 19)	-	-	-	-	70,929	70,929	76,100
Amortization of capital assets	(704,795)	-	(704,795)	-	704,795	-	-
intangible asset	(12,000)	-	(12,000)	-	12,000	-	-
Capital asset funding recognized	238,144	-	238,144	-	(238,144)	-	-
Capital asset funding deferred	(85,937)	-	(85,937)	-	85,937	-	-
Purchase of capital assets	1,052,622	-	1,052,622	-	(1,052,622)	-	-
Gain on disposal of capital assets	7,330	-	7,330	-	(7,330)	-	-
Receipt of callable debt	(393,790)	-	(393,790)	-	393,790	-	-
Repayment of callable debt	27,063	-	27,063	-	(27,063)	-	-
capital leases	5,985	-	5,985	-	(5,985)	-	-
Interest income earned on endowment funds	-	-	-	4,300	-	4,300	-
Balance, end of year	<u>\$ 6,102,441</u>	<u>\$ 250,000</u>	<u>\$ 6,352,441</u>	<u>\$ 541,744</u>	<u>\$ 54,903</u>	<u>\$ 6,949,088</u>	<u>\$ 6,766,623</u>

(see accompanying notes)

SASKATCHEWAN ABILITIES COUNCIL INC.
STATEMENT OF CASH FLOWS
year ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 107,236	\$ 95,359
Interest income earned on endowment funds	4,300	-
Employee future benefits remeasurements and other items	70,929	76,100
Adjustments for		
Amortization of capital assets	704,795	739,909
Amortization of intangible asset	12,000	12,000
Capital asset funding recognized	(238,144)	(252,520)
Deferred donor designated funds recognized	(107,924)	(98,095)
(Gain) loss on disposal of capital assets	(7,330)	17,874
Changes in non-cash working capital items		
Accounts receivable	548,118	567,154
Inventories	121,686	(108,372)
Prepaid expenses	99,752	(124,259)
Accounts payable and accrued liabilities	(31,693)	4,572
Deferred grants	555,669	(280,806)
	<u>1,839,394</u>	<u>648,916</u>
INVESTING ACTIVITIES		
Capital asset additions	(1,052,622)	(1,110,360)
Proceeds on disposal of capital assets	24,119	36,126
Designated investments, net	46,964	7,095
	<u>(981,539)</u>	<u>(1,067,139)</u>
FINANCING ACTIVITIES		
Proceeds from callable debt	393,790	-
Repayment of callable debt	(27,063)	(353,143)
Repayment of capital leases	(5,985)	(12,905)
Receipt of donor designated funds	142,597	130,986
	<u>503,339</u>	<u>(235,062)</u>
NET INCREASE (DECREASE) IN CASH	1,361,194	(653,285)
CASH POSITION, BEGINNING OF YEAR	1,463,849	2,117,134
CASH POSITION, END OF YEAR	\$ 2,825,043	\$ 1,463,849

SASKATCHEWAN ABILITIES COUNCIL INC.
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2016

1. PURPOSE OF THE ORGANIZATION

The Saskatchewan Abilities Council Inc. (the “Council”) is a non-profit, provincial organization providing services for Saskatchewan people with disabilities. Originally incorporated in 1950 and continued under *The Non-profit Corporations Act, 1995* of Saskatchewan, the Saskatchewan Abilities Council Inc. is a registered charity under the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) and include the following significant accounting policies:

Capital Assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the assets’ estimated useful lives, as follows:

Buildings	20 - 30 years
Furniture and equipment	3 - 10 years

Leases that transfer substantially all of the benefits and risks of ownership of property to the Council are accounted for as capital leases. At the time a capital lease is entered into, an asset is recorded together with the related long-term obligation. Equipment acquired under capital leases is amortized on the same basis as other capital assets. Rental payments under operating leases are charged to expense as incurred.

The assets are also tested for impairment. Normal repairs and maintenance expenditures are expensed as incurred.

Contributed Services

Volunteers contribute a significant amount of time to assist the Council in delivery of its programs and services and in fundraising activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Financial Instruments

The Council initially measures its financial assets and financial liabilities at fair value. The Council subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

SASKATCHEWAN ABILITIES COUNCIL INC.
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets measured at amortized cost include cash and accounts receivable. The Council's financial assets measured at fair value include shares based on quoted market prices. The fair value of callable debt approximates its carrying value due to its interest rate floating with prime. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and callable debt.

Intangible Assets

Intangible assets are recorded at cost. Intangible assets with a limited life are amortized over their useful lives. The assets are also tested for impairment.

Inventories

Inventories are valued at the lower of cost and net realizable value. Work-in-process and finished goods inventories include cost of material only. Cost is determined using average cost method.

Pension Plans

The Council's obligation to two multi-employer defined contribution pension plans is limited to making required payments to match amounts contributed by the employees for current service.

The Council accrues its obligations under the defined benefit pension plan as the employees render the services necessary to earn the pension benefits. The costs of the defined benefit pension plan are determined periodically by an independent actuary.

The defined benefit obligation of the plan is based on an actuarial valuation prepared for funding purposes (but not the one prepared on using a solvency, wind-up, or similar valuation basis) using the most recently completed actuarial valuation. A funding valuation is prepared in accordance with pension legislation and regulations, generally to determine required cash contributions to the plan.

The Council recognizes the defined benefit obligation net of the fair value of plan assets. Current service costs and finance cost for the period are recognized in the statement of operations. Remeasurements and other items are recognized directly in net assets in the statement of financial position and presented as a separately identified line item in the statement of changes in net assets.

SASKATCHEWAN ABILITIES COUNCIL INC.
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Council follows the deferral method of accounting for contributions. Substantially all revenue consists of user fees for products and services provided, program operating grants from governments and other organizations, and fundraising activities which include donations and planned gifts.

User fees are recognized as revenue when the services are provided or when the products are delivered. Grants are recognized as revenue when the related program expenses are incurred. Unrestricted donations and planned gifts are recognized as revenue when received. Restricted donations and planned gifts, which have donor stipulations on use, are recognized as revenue when the related expenses are incurred. Contributions of, or for, capital assets are recognized as revenue when the related capital assets are amortized. Grants received in the year pertaining to specific programs for the following year are reflected on the statement of financial position as deferred grants. Gifts-in-kind are recorded at fair market value on the donation date provided fair market value can be reasonably estimated. Restricted donations and planned gifts received, for which the related expenses have not yet been incurred, are reflected on the statement of financial position as deferred donor designated funds. Capital asset contributions not yet recognized as revenue are reflected on the statement of financial position as unamortized capital asset funding. Endowment contributions are recognized as direct increases in net assets in the year.

Use of Estimates

The preparation of the financial statements in conformity with Canadian ASNPO requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant financial statements items that require estimates are as follows: the useful lives and amortization of capital assets, actuarial and economic assumptions used in calculating cost of defined benefit pension plan, the accrued benefit obligation and pension plan assets, valuation adjustments including allowance for uncollectible accounts, and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

SASKATCHEWAN ABILITIES COUNCIL INC.
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2016

3. LINE OF CREDIT

The Council has access to revolving credit facilities available in the amount of \$3,500,000 as of December 31, 2016 (December 31, 2015 - \$3,500,000).

As of December 31, 2016, the credit facility was at prime (December 31, 2015 - prime). Prime at December 31, 2016 was 2.70% (December 31, 2015 - 2.70%).

During 2016, two loans, one for \$330,798 and one for \$62,992, were drawn under these facilities (2015 - \$NIL). These loans are detailed in Note 10. There are no other borrowings outstanding under these facilities at December 31, 2016 (December 31, 2015 - \$NIL).

4. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Grants receivable	\$ 116,938	\$ 41,769
GST rebate	15,459	12,437
Trade receivables	1,117,082	1,758,391
Allowance for uncollectible accounts	(30,000)	(45,000)
	<u>\$ 1,219,479</u>	<u>\$ 1,767,597</u>

SASKATCHEWAN ABILITIES COUNCIL INC.
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2016

5. INVENTORIES

	<u>Regina</u>	<u>Saskatoon</u>	Swift <u>Current</u>	<u>Yorkton</u>	Rehabilitation <u>Services</u>	<u>2016</u>	<u>2015</u>
Sewing	\$ 115,929	\$ 233,740	\$ 53,081	\$ 442	\$ -	\$ 403,192	\$ 507,645
Assembly	1,930	10,773	-	7,005	-	19,708	45,074
Wood Products	179,531	64,773	4,496	-	-	248,800	244,742
Metal Work	-	104,531	-	-	-	104,531	96,636
Special Needs							
Equipment -							
Retail Sales	-	-	-	-	21,933	21,933	35,238
Orthopaedics	-	-	-	-	444,122	444,122	434,637
	<u>\$ 297,390</u>	<u>\$ 413,817</u>	<u>\$ 57,577</u>	<u>\$ 7,447</u>	<u>\$ 466,055</u>	<u>\$ 1,242,286</u>	<u>\$ 1,363,972</u>

The cost of inventory recognized as an expense during 2016 was \$4,271,876 (2015 - \$4,464,045). During the year, there were \$26,583 of inventory write-downs (2015 - \$16,229).

6. DESIGNATED INVESTMENTS

Designated investments are comprised of short-term investments and cash and consist of:

	<u>2016</u>	<u>2015</u>
Deferred donor designated funds	\$ 201,343	\$ 252,607
Net assets restricted for endowment purposes	541,744	537,444
Internally restricted net assets - other	250,000	250,000
	<u>\$ 993,087</u>	<u>\$ 1,040,051</u>

SASKATCHEWAN ABILITIES COUNCIL INC.
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2016

7. CAPITAL ASSETS

	<u>Land</u>	<u>Building</u>	<u>Equipment</u>	<u>2016</u>	<u>2015</u>
				Total	
Cost, beginning of year	\$ 416,119	\$ 15,153,429	\$ 3,241,553	\$ 18,811,101	\$ 18,195,253
Additions					
Regina Branch	-	91,131	11,029	102,160	165,460
Saskatoon Branch	-	469,346	163,644	632,990	632,523
Swift Current Branch	-	90,590	-	90,590	-
Yorkton Branch	-	7,411	45,638	53,049	44,679
Camp Easter Seal Rehabilitation Services	-	29,270	24,237	53,507	43,353
Provincial Administration	-	-	8,674	8,674	6,788
	-	100,719	10,933	111,652	217,557
	-	788,467	264,155	1,052,622	1,110,360
Write down/disposals	-	(25,315)	(145,236)	(170,551)	(494,512)
Cost, end of year	416,119	15,916,581	3,360,472	19,693,172	18,811,101
Accumulated amortization, beginning of year	-	8,112,561	2,213,252	10,325,813	10,026,416
Write down/disposals	-	(19,995)	(133,767)	(153,762)	(440,512)
Amortization expense	-	423,400	281,395	704,795	739,909
Accumulated amortization, end of year	-	8,515,966	2,360,880	10,876,846	10,325,813
Net book value	\$ 416,119	\$ 7,400,615	\$ 999,592	\$ 8,816,326	\$ 8,485,288

SASKATCHEWAN ABILITIES COUNCIL INC.
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2016

8. INTANGIBLE ASSET

In 2012, the Council purchased rights to MossPro Sports for \$60,000. The net book value at December 31, 2016 was \$6,000 (2015 - \$18,000) and during the year the Council amortized \$12,000 (2015 - \$12,000).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade payables and accrued liabilities	\$ 1,375,973	\$ 1,493,461
Amount payable in respect of government remittances	4,991	7,114
Payroll accrual	844,370	817,952
Provision (Note 13)	147,407	185,262
Vacation accrual	862,637	763,282
	\$ 3,235,378	\$ 3,267,071

10. CALLABLE DEBT

	2016	2015
Bank loan repayable to December 15, 2029 in monthly instalments of \$1,993 plus interest at prime. Prime at December 31, 2016 was 2.70%.	\$ 306,885	\$ -
Bank loan repayable to June 15, 2026 in monthly instalments of \$525 plus interest at prime. Secured by an accessible bus with a net book value of \$93,899. Prime at December 31, 2016 was 2.70%.	59,842	-
	366,727	-
Less: scheduled repayments of callable debt	(30,212)	-
	\$ 336,515	\$ -

SASKATCHEWAN ABILITIES COUNCIL INC.
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2016

10. CALLABLE DEBT (continued)

Although these loans are callable, management does not believe that this feature will be exercised. Scheduled principal payments required in each of the next five years are as follows:

2017	\$	30,212
2018		30,212
2019		30,212
2020		30,212
2021		30,212
	\$	151,060

11. CAPITAL LEASES

	2016	2015
Equipment lease, repaid in the year.	\$ -	\$ 707
Equipment lease, 6.49%, repayable to October 1, 2017 in monthly installments of \$481 including principal and interest. Secured by equipment with a net book value of \$6,811.	4,665	9,943
	4,665	10,650
Less: current portion	(4,665)	(5,985)
	\$ -	\$ 4,665

Payments required in the next year are as follows:

2017	\$	4,805
Less: imputed interest		(140)
	\$	4,665

SASKATCHEWAN ABILITIES COUNCIL INC.
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2016

12. DEFERRED DONOR DESIGNATED FUNDS

Deferred designated donations relate to restricted funding received for expenditures in subsequent periods. The changes for the year are as follows:

	2016		2015
Beginning balance	\$ 252,607	\$	359,702
Donor designated funds received	142,597		130,986
Capital asset funding	(85,937)		(139,986)
Amounts amortized to revenue	(107,924)		(98,095)
Ending balance	\$ 201,343	\$	252,607

13. CONTINGENCIES

Forgivable Loan

The Council received a \$350,000 forgivable loan from the Saskatchewan Housing Corporation in 2014 to fund construction of the Regina Branch Quality of Life Centre. The loan is recorded as a capital asset contribution.

The loan is being forgiven annually over a period of five years commencing on the first anniversary of the first day of the month following advance of the loan. Forgiveness will occur provided that the Council does not sell, transfer, or enter into an agreement for sale or transfer of the property; complies with the terms and conditions of the agreement; does not become insolvent or bankrupt; and continues to operate the project. During 2016, \$70,000 was forgiven (2015 - \$70,000). The remaining, unforgiven amount at December 31, 2016 is \$210,000 (December 31, 2015 - \$280,000).

Forgiveness of this loan in each of the next three years is expected to be as follows:

2017	\$	70,000	
2018		70,000	
2019		70,000	
	\$	210,000	

SASKATCHEWAN ABILITIES COUNCIL INC.
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2016

13. CONTINGENCIES (continued)

Provision

A provision of \$273,000 was recorded in 2014. This provision represents the estimated costs of repairing a piece of equipment manufactured and sold by the Council. During 2016, expenditures of \$37,855 (2015 - \$87,738) related to the equipment repair were incurred. The provision was reduced by this amount. At December 31, 2016, the remaining provision is \$147,407 (December 31, 2015 - \$185,262). Additional cash outflows related to this provision are expected to occur in 2017. Any expenditures in excess of this provision will be expensed as incurred.

14. UNAMORTIZED CAPITAL ASSET FUNDING

Unamortized capital asset funding includes the unamortized portion of contributed capital assets and restricted contributions. The changes for the year are as follows:

	2016	2015
Beginning balance	\$ 2,560,947	\$ 2,673,481
Capital asset funding	85,937	139,986
Amounts amortized to revenue	<u>(238,144)</u>	<u>(252,520)</u>
Ending balance	<u>\$ 2,408,740</u>	<u>\$ 2,560,947</u>

15. COMMITMENTS

The Council is obligated under lease contracts for premises and equipment. Minimum future payments required under these leases are:

2017	\$	697,539
2018		546,252
2019		424,672
2020		347,404
2021		289,145

16. NET ASSETS RESTRICTIONS

Net assets restricted for endowment purposes are subject to externally or internally imposed restrictions stipulating that the resources be maintained in perpetuity. Income from endowment funds will be allocated annually and the amount of distributable income will be determined by management on such a basis as would increase or at least preserve the purchasing power of the fund's capital.

SASKATCHEWAN ABILITIES COUNCIL INC.
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2016

16. NET ASSETS RESTRICTIONS (continued)

Restricted net assets originate from decisions by the Board of Directors and provide for unexpected shortfalls or specific future causes as well as investment in capital assets.

These internally restricted amounts are not available without prior approval of the Board of Directors.

17. CAMP EASTER SEAL

During the year, the Council received a grant of \$82,387 (2015 - \$79,988) from Saskatchewan Lotteries Trust Fund. The grant was applied to the following expenses:

	2016	2015
Program development	\$ 72,251	\$ 68,925
Administration	7,755	9,415
Communications	2,381	1,648
	\$ 82,387	\$ 79,988

18. PROVINCIAL ADMINISTRATION ALLOCATIONS

Provincial Administration expenses (administrative and marketing) are included in the expenses of the branches and have been allocated to branches in proportion to total expenses of each branch, as follows:

	2016	2015
Regina Branch	\$ 484,137	\$ 441,402
Saskatoon Branch	667,711	611,501
Swift Current Branch	219,658	225,609
Yorkton Branch	424,672	417,711
Camp Easter Seal	90,691	95,146
Rehabilitation Services	402,615	400,622
	\$ 2,289,484	\$ 2,191,991

There were no changes to the allocation method from the prior year.

SASKATCHEWAN ABILITIES COUNCIL INC.
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2016

19. PENSION PLANS

The Council has certain of its employees enrolled in two multi-employer defined contribution plans and a Council sponsored contributory defined benefit pension plan.

Defined Benefit Pension Plan

The Council sponsors and funds a contributory defined benefit pension plan for some of its employees. The plan provides pensions based on length of service and career average earnings. As at December 31, 2004, the defined benefit pension plan was closed to new enrolments.

Special payments in the amount of \$NIL were paid in 2016 (2015 – \$NIL) to the plan to fund the solvency deficiency. Special payments of \$31,000 are required to be paid in 2017 to fund the solvency deficiency.

Employer current service contribution payments ended in March 2014 since the plan was in an excess surplus position, as required under the *Income Tax Act*. At December 31, 2016, the plan was no longer in an excess surplus position. Current service contribution payments will resume in 2017.

The Council measures its defined benefit obligation and the fair value of the plan assets for funding purposes as at December 31 of each year. Based on the most recent actuarial determination of pension plan benefits completed as at December 31, 2016, the information about the plan is as follows:

	2016	2015
Fair value of plan assets	\$ 2,909,293	\$ 2,899,763
Defined benefit obligation	2,377,000	1,798,905
Funded status - plan surplus	532,293	1,100,858
Valuation allowance	532,293	1,100,858
Defined benefit asset, net of valuation allowance	\$ -	\$ -

A valuation allowance has been recorded by the Council as at December 31, 2016 and December 31, 2015 as no application has been made for distribution of plan assets nor is any application contemplated in the future. The Council's practice is to allocate plan actuarial surplus to improve benefits for plan members.

The next required actuarial valuation for funding and solvency purposes will be prepared no later than 2020 as at December 31, 2019.

SASKATCHEWAN ABILITIES COUNCIL INC.
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2016

19. PENSION PLANS (continued)

Defined Benefit Pension Plan (continued)

The components of the cost for the period are as follows:

	2016	2015
Current service cost reduced to reflect employee contributions with interest	\$ 70,930	\$ 72,748
Finance expense (income)	(1)	89
Pension expense	70,929	72,837
Remeasurements and other items	(70,929)	(76,100)
	\$ -	\$ (3,263)

The current year's pension expense of \$70,929 (2015 - \$72,837) is included in the statement of operations and remeasurements and other items of \$(70,929) (2015 - \$(76,100)) are recorded directly in the statement of changes in net assets.

Defined Contribution Pension Plans

Employer contributions to the defined contribution pension plans of \$768,494 for 2016 (2015 - \$727,221) are included in expenses.

20. FINANCIAL INSTRUMENTS

Credit Risk

The Council's principal financial assets are cash and accounts receivable, which are subject to credit risk. The carrying amounts of financial assets on the statement of financial position represent the Council's maximum exposure at the financial statement date.

The Council's credit risk is primarily attributable to its accounts receivable. The Council provides credit to its customers in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for potential credit losses. The Council minimizes its credit risk by concluding transactions with a large number of clients. For grants receivable, the Council assesses, on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive based on their estimated realizable value.

SASKATCHEWAN ABILITIES COUNCIL INC.
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2016

20. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

Liquidity risk is the risk that the Council will not be able to meet cash requirements or to fund obligations as they become due. The Council's most significant financial liabilities as at December 31, 2016 and December 31, 2015 had contractual maturities of less than one year. The Council's most significant financial liabilities are accounts payable, accrued liabilities, and callable debt. The Council manages liquidity risk by forecasting cash flows from operations in amounts that are sufficient to maintain an adequate cash balance.

Interest Rate Risk

The Council is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Council to a fair value risk while the floating rate instruments subject it to a cash flow risk. The Council is exposed to this type of risk as a result of investments, callable debt, and capital leases. The interest bearing investments have a limited exposure to interest rate risk due to their short-term maturity. Callable debt is exposed to interest rate risk due to the variable interest rates on this debt. Capital lease interest rate risk is not significant due to its immaterial amount.

SASKATCHEWAN ABILITIES COUNCIL INC.
SCHEDULE OF OPERATING REVENUES AND EXPENSES
year ended December 31, 2016

	2016	2015
REGINA BRANCH		
REVENUE		
Vocational rehabilitation	\$ 6,064,444	\$ 5,679,853
Amortization of capital asset funding	23,840	24,408
Regional services	58,186	10,721
	<u>6,146,470</u>	<u>5,714,982</u>
EXPENSES		
Vocational rehabilitation	<u>6,597,668</u>	<u>6,090,762</u>
REQUIRED CONTRIBUTION FROM FUNDRAISING	<u>\$ 451,198</u>	<u>\$ 375,780</u>
SASKATOON BRANCH		
REVENUE		
Vocational rehabilitation	\$ 7,850,229	\$ 7,128,419
Recycling	833,026	819,543
Amortization of capital asset funding	6,999	12,113
	<u>8,690,254</u>	<u>7,960,075</u>
EXPENSES		
Vocational rehabilitation	<u>8,199,148</u>	<u>7,538,479</u>
Recycling	<u>900,199</u>	<u>899,418</u>
	<u>9,099,347</u>	<u>8,437,897</u>
REQUIRED CONTRIBUTION FROM FUNDRAISING	<u>\$ 409,093</u>	<u>\$ 477,822</u>

SASKATCHEWAN ABILITIES COUNCIL INC.
SCHEDULE OF OPERATING REVENUES AND EXPENSES
year ended December 31, 2016

	2016	2015
SWIFT CURRENT BRANCH		
REVENUE		
Vocational rehabilitation	\$ 1,485,164	\$ 1,504,686
Recycling	613,467	674,216
Transportation	466,477	432,694
Amortization of capital asset funding	9,028	9,173
Regional services	203,889	151,503
	<u>2,778,025</u>	<u>2,772,272</u>
EXPENSES		
Vocational rehabilitation	1,734,847	1,811,432
Recycling	698,631	798,866
Transportation	559,947	502,797
	<u>2,993,425</u>	<u>3,113,095</u>
REQUIRED CONTRIBUTION FROM FUNDRAISING	<u>\$ 215,400</u>	<u>\$ 340,823</u>
YORKTON BRANCH		
REVENUE		
Vocational rehabilitation	\$ 3,587,971	\$ 3,385,396
Recycling	1,191,902	1,122,276
Transportation	619,317	653,576
Amortization of capital asset funding	70,140	75,018
Regional services	175,386	214,581
	<u>5,644,716</u>	<u>5,450,847</u>
EXPENSES		
Vocational rehabilitation	3,791,837	3,701,403
Recycling	1,229,768	1,278,207
Transportation	765,694	784,236
	<u>5,787,299</u>	<u>5,763,846</u>
REQUIRED CONTRIBUTION FROM FUNDRAISING	<u>\$ 142,583</u>	<u>\$ 312,999</u>
CAMP EASTER SEAL		
REVENUE		
Camp Easter Seal	\$ 635,909	\$ 735,886
Saskatchewan Lotteries Trust Fund (Note 17)	82,387	79,988
Amortization of capital asset funding	115,521	121,988
	<u>833,817</u>	<u>937,862</u>
EXPENSES		
Camp Easter Seal	1,235,911	1,312,891
REQUIRED CONTRIBUTION FROM FUNDRAISING	<u>\$ 402,094</u>	<u>\$ 375,029</u>

SASKATCHEWAN ABILITIES COUNCIL INC.
SCHEDULE OF OPERATING REVENUES AND EXPENSES
year ended December 31, 2016

	2016	2015
REHABILITATION SERVICES		
REVENUE		
Orthopaedics	\$ 5,342,225	\$ 5,298,508
Special needs equipment - loan program	6,424,123	6,611,114
Special needs equipment - retail sales	64,313	69,689
Technology services	253,971	270,326
Amortization of capital asset funding	-	694
	<u>12,084,632</u>	<u>12,250,331</u>
EXPENSES		
Orthopaedics	5,136,982	5,153,860
Special needs equipment - loan program	6,405,673	6,597,389
Special needs equipment - retail sales	42,982	45,640
Technology services	349,729	374,189
	<u>11,935,366</u>	<u>12,171,078</u>
REQUIRED CONTRIBUTION TO FUNDRAISING	<u>\$ (149,266)</u>	<u>\$ (79,253)</u>
PROVINCIAL ADMINISTRATION		
REVENUE		
Fund development	\$ 1,433,580	\$ 1,822,295
Provincial administration	809,401	675,301
Amortization of capital asset funding	3,340	3,330
	<u>2,246,321</u>	<u>2,500,926</u>
EXPENSES		
Fund development	667,983	602,367
NET REVENUE	<u>1,578,338</u>	<u>1,898,559</u>
Less contributions to (from) Branches		
Regina	451,198	375,780
Saskatoon	409,093	477,822
Swift Current	215,400	340,823
Yorkton	142,583	312,999
Camp Easter Seal	402,094	375,029
Rehabilitation Services	(149,266)	(79,253)
	<u>1,471,102</u>	<u>1,803,200</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 107,236</u>	<u>\$ 95,359</u>