

Financial Statements

St. John Council for Ontario

December 31, 2008

AUDITORS' REPORT

To the Members of
St. John Council for Ontario

We have audited the balance sheet of **St. John Council for Ontario** ["Council for Ontario"] as at December 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Council for Ontario's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Council for Ontario as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 24, 2009.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

St. John Council for Ontario

BALANCE SHEET

As at December 31

	2008 \$	2007 \$
ASSETS		
Current		
Cash and cash equivalents	3,923,733	3,593,434
Accounts receivable <i>[note 12]</i>	1,389,104	1,182,367
Inventory <i>[note 12]</i>	302,858	324,166
Prepaid expenses	198,809	163,652
Total current assets	5,814,504	5,263,619
Long-term		
Investments <i>[note 3]</i>	15,845,019	18,941,276
Due from St. John Priory of Canada <i>[note 12]</i>	276,368	405,000
Capital assets, net <i>[note 4]</i>	4,255,790	4,622,551
Licenses	127,418	274,911
Total long-term assets	20,504,595	24,243,738
	26,319,099	29,507,357
LIABILITIES AND NET ASSETS		
Current		
Bank indebtedness <i>[note 5]</i>	260,382	414,306
Accounts payable and accrued liabilities <i>[notes 7 and 12]</i>	722,891	678,342
Deferred revenue	202,566	223,004
Total current liabilities	1,185,839	1,315,652
Long-term		
Deferred capital contributions <i>[note 6]</i>	510,340	707,202
Long-term debt <i>[note 7]</i>	285,289	319,836
Total long-term liabilities	795,629	1,027,038
Total liabilities	1,981,468	2,342,690
Contingencies and commitments <i>[notes 8 and 12]</i>		
Net assets		
Internally restricted <i>[note 9]</i>	5,103,639	5,903,039
Endowment <i>[note 10]</i>	12,482,148	15,295,144
Surplus	6,751,844	5,966,484
Total net assets	24,337,631	27,164,667
	26,319,099	29,507,357

See accompanying notes

On behalf of St. John Council for Ontario:



Kirk Corkery
Chair



Ian Steingaszner
Treasurer

St. John Council for Ontario

STATEMENT OF OPERATIONS

Year ended December 31

	2008 \$	2007 \$
REVENUE		
Training programs	11,481,958	11,193,913
Donations and fundraising [note 6]	1,854,583	1,790,605
Store sales	1,335,938	1,180,994
Nevada and bingo	345,755	407,276
Government grants	593,071	665,161
Rental and sundry	763,010	866,333
	16,374,315	16,104,282
EXPENSES		
Service delivery and administration [notes 11 and 12]	17,013,374	16,456,264
Deficiency of revenue over expenses before the following	(639,059)	(351,982)
Investment income (loss) [note 10]	(534,968)	424,743
Net gain on sale of capital assets	277,327	276,461
(Deficiency) excess of revenue over expenses for the year	(896,700)	349,222

See accompanying notes

St. John Council for Ontario

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	2008			
	Surplus \$	Internally restricted \$ <i>[note 9]</i>	Endowment \$ <i>[note 10]</i>	Total \$
Net assets, beginning of year	5,966,484	5,903,039	15,295,144	27,164,667
Deficiency of revenue over expenses for the year	(896,700)	—	—	(896,700)
Investment loss related to externally restricted endowment net assets <i>[note 10]</i>	—	—	(1,997,929)	(1,997,929)
Endowment contribution	—	—	67,593	67,593
Interfund transfers <i>[notes 9 and 10]</i>	1,682,060	(799,400)	(882,660)	—
Net assets, end of year	6,751,844	5,103,639	12,482,148	24,337,631

	2007			
	Surplus \$	Internally restricted \$ <i>[note 9]</i>	Endowment \$ <i>[note 10]</i>	Total \$
Net assets, beginning of year	5,293,022	5,383,923	16,138,500	26,815,445
Excess of revenue over expenses for the year	349,222	—	—	349,222
Interfund transfers <i>[notes 9 and 10]</i>	324,240	519,116	(843,356)	—
Net assets, end of year	5,966,484	5,903,039	15,295,144	27,164,667

See accompanying notes

St. John Council for Ontario

STATEMENT OF CASH FLOWS

Year ended December 31

	2008 \$	2007 \$
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenses for the year	(896,700)	349,222
Add (deduct) non-cash items		
Amortization of capital assets	493,266	568,592
Amortization of licenses	147,493	147,494
Amortization of deferred capital contributions	(138,110)	(161,357)
Deferred capital contributions included in donations and fundraising revenue related to capital assets sold	(155,502)	—
Net gain on sale of capital assets	(277,327)	(276,461)
	(826,880)	627,490
Changes in non-cash working capital balances related to operations		
Accounts receivable	(33,620)	(162,082)
Inventory	21,308	(17,623)
Prepaid expenses	(35,157)	(36,441)
Accounts payable and accrued liabilities	44,549	164,211
Deferred revenue	(20,438)	(116,330)
Investment loss (income)	534,968	(424,743)
Cash (used in) provided by operating activities	(315,270)	34,482
INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	(463,528)	(1,212,387)
Contributions restricted for capital asset purchases	96,750	74,099
Proceeds from sale of capital assets	614,350	498,954
Decrease in bank indebtedness	(153,924)	(25,153)
Withdrawals from investments, net	518,875	1,157,650
Endowment contribution	67,593	—
Issuance of long-term debt	25,756	310,000
Increase in due from St. John Priory of Canada	—	(345,000)
Repayment of long-term debt	(60,303)	(52,511)
Cash provided by investing and financing activities	645,569	405,652
Net increase in cash during the year	330,299	440,134
Cash and cash equivalents, beginning of year	3,593,434	3,153,300
Cash and cash equivalents, end of year	3,923,733	3,593,434

See accompanying notes

St. John Council for Ontario

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. ORGANIZATION

St. John Council for Ontario ["Council for Ontario"] is a provincial body of The Priory of Canada of the Most Venerable Order of the Hospital of St. John of Jerusalem ["St. John Priory of Canada"]. Council for Ontario was incorporated on October 24, 1989 by Letters Patent issued under the Corporations Act (Ontario). Council for Ontario is a registered charity [Reg. #108022237-RR0001] and, while registered, is exempt from income taxes.

Council for Ontario provides first-aid and health-care training and public first-aid service through a number of branches and community services units throughout the province. These financial statements present the financial position and results of operations of Council for Ontario that include the assets, liabilities and results of operations of the Provincial Head Office, branches and community services units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies followed in the preparation of these financial statements are summarized below:

Revenue recognition

Council for Ontario follows the deferral method of accounting for contributions, which include donations and government grants. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. Endowment contributions are recognized as direct increases in net assets. Training fees are recognized when classes have been completed.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term deposits with a term to maturity of less than 90 days at time of purchase.

Inventory

Inventory is valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

St. John Council for Ontario

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

Capital assets and licenses

Land is carried at cost. Purchased capital assets and licenses are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	33 – 50 years
Vehicles	5 – 10 years
Equipment and leasehold improvements	3 – 10 years
Licenses	5 years

Investments and investment income (loss)

Publicly-traded securities are valued based on the latest bid prices and pooled funds are valued based on reported unit values. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a settlement date basis and transaction costs are expensed as incurred.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the statement of operations, except for investment income (loss) allocated directly to endowments.

Deferred capital contributions

Deferred capital contributions represent restricted contributions relating to the purchase of capital assets.

Contributed materials and services

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

Post-employment benefits

Council for Ontario's participation in a defined benefit plan administered by St. John Priory of Canada is accounted for as a defined contribution plan, whereby required contributions are expensed when due.

St. John Council for Ontario

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

Foreign currency translation

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect on the date of the related transaction. Monetary asset and liability balances are translated at the year-end spot rates.

Changes in accounting policies

Capital disclosures

Effective January 1, 2008, Council for Ontario adopted the recommendations of the Canadian Institute of Chartered Accountants ["CICA"] 1535: Capital Disclosures, which require the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate Council for Ontario's objectives, policies and processes for managing capital. The adoption of these recommendations only required additional disclosures, which are provided in note 13.

Effective January 1, 2008, Council for Ontario adopted retroactively the changes to the recommendations in CICA 4400: *Financial Statement Presentation for Not-for-Profit Organizations* that eliminate the requirement to separately disclose the amount of net assets invested in capital assets. Council for Ontario has therefore eliminated from the financial statements details about the amount of net assets invested in capital assets and the calculation of this amount. As a result, Council for Ontario has reclassified the prior year financial statements to include the amount of net assets invested in capital assets as at January 1, 2007 and January 1, 2008 in surplus.

Inventories

Effective January 1, 2008, Council for Ontario adopted the recommendations of CICA 3031: Inventories. These recommendations provide guidance on the measurement and disclosure requirements for inventories. The adoption of these new recommendations had no impact on Council for Ontario's financial statements.

St. John Council for Ontario

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

Future changes in accounting policies

The CICA has issued revisions to the 4400 series and certain other sections to amend or improve certain parts of the CICA Handbook that relate to not-for-profit organizations. With respect to presentation, these changes include making the disclosure of net assets invested in capital assets optional; making CICA 1540: Cash Flow Statements applicable to not-for-profit organizations; and requiring the reporting of revenues and expenses on a gross basis in the statement of operations unless not required by other guidance. A new section, CICA 4470: *Disclosure of Allocated Expenses by Not-for-Profit Organizations*, was included in the revisions which requires certain disclosures when fundraising and general support expenses are allocated to other functions. These changes in accounting policies must be adopted by years beginning on or after January 1, 2009, with earlier adoption permitted. Management has adopted the recommendations related to the disclosure of net assets invested in capital assets and is assessing the impact of the other revisions and the timing of their adoption. However, the impact will be limited to reclassification of numbers in the statements and additional disclosures.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments

Council for Ontario has chosen to apply CICA 3861: *Financial Instruments – Disclosure and Presentation* in place of CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments – Presentation*.

The Council for Ontario is subject to market risk, foreign currency risk and interest rate price risk with respect to its investment portfolio. To manage these risks, the Council for Ontario has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances.

St. John Council for Ontario

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

3. INVESTMENTS

Investments, at market value, consist of the following:

	2008		2007	
	\$	%	\$	%
Short-term	1,822,382	12	1,745,729	9
Canadian fixed income	5,757,783	36	6,655,121	35
Canadian equities	3,668,668	23	5,159,043	27
United States equities	2,678,686	17	2,943,729	16
Other foreign equities	1,917,500	12	2,437,654	13
	15,845,019	100	18,941,276	100

The Council for Ontario holds units in a balanced pooled fund with a fair market value of \$6,240,333 [2007 - \$7,006,991]. This amount has been allocated to the appropriate category in the table based on the proportionate share of the fund invested in each category.

As at December 31, 2008, Canadian fixed income investments held outside the balanced fund of \$3,620,023 [2007 - \$4,181,646] have a weighted average term to maturity of 4 years [2007 - 5.5 years] and a weighted average return of 4.5% [2007 - 5.5%].

St. John Council for Ontario

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

4. CAPITAL ASSETS

Capital assets consist of the following:

	2008		Net book value \$
	Cost \$	Accumulated amortization \$	
Land	606,946	—	606,946
Buildings	4,126,667	2,090,527	2,036,140
Vehicles	2,290,944	1,752,667	538,277
Equipment and leasehold improvements	2,944,657	1,870,230	1,074,427
	9,969,214	5,713,424	4,255,790

	2007		Net book value \$
	Cost \$	Accumulated amortization \$	
Land	719,640	—	719,640
Buildings	4,425,108	2,111,906	2,313,202
Vehicles	2,243,362	1,564,091	679,271
Equipment and leasehold improvements	2,650,080	1,739,642	910,438
	10,038,190	5,415,639	4,622,551

The land and buildings are recorded at historical cost, which does not reflect current market value.

5. BANK INDEBTEDNESS

Council for Ontario maintains an unsecured operating line of credit of \$1,000,000 and is charged interest at the bank's prime rate of lending plus 0.5%.

St. John Council for Ontario

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations received for the purchase of capital assets. The changes in the deferred capital contributions balance are as follows:

	2008 \$	2007 \$
Balance, beginning of year	707,202	794,460
Less amortization of deferred capital contributions included in donations and fundraising revenue	(138,110)	(161,357)
Less deferred capital contributions included in donations and fundraising revenue related to capital assets sold	(155,502)	—
Add contributions restricted for capital asset purchases	96,750	74,099
Balance, end of year	510,340	707,202

7. LONG-TERM DEBT

[a] Long-term debt consists of mortgages of \$326,390 with a weighted average interest rate of 5.8% maturing between 2012 and 2014, against which related land and buildings are pledged as collateral. The current portion of \$41,101 [2007 - \$34,867] is included in accounts payable and accrued liabilities.

[b] The following are the future annual debt principal repayments due over the next five fiscal years and thereafter:

	\$
2009	41,101
2010	41,719
2011	42,375
2012	165,990
2013	12,284
2014 and thereafter	22,921
	326,390

St. John Council for Ontario

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

8. CONTINGENCIES AND COMMITMENTS

- [a] Council for Ontario is named as a defendant in various legal actions, which management is contesting. The amount of potential judgments or settlements, if any, is not determinable at this time.
- [b] Council for Ontario leases certain premises and equipment under operating leases. The aggregate minimum annual commitments under operating leases in future years are as follows:

	\$
2009	706,416
2010	735,551
2011	668,930
2012	619,939
2013	427,861
2014 and thereafter	630,185
	<u>3,788,882</u>

9. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets consist of the following funds that have been designated as restricted by Council for Ontario and which may be used as directed by the Board of Directors ["Board"] of Council for Ontario:

	2008	2007
	\$	\$
Building Fund	1,876,713	2,302,608
Millennium Fund	353,658	588,780
McIntyre Foundation Fund	349,102	407,625
Other funds	91,394	115,376
Provincial Head Office	2,670,867	3,414,389
Mississauga Branch	557,975	463,102
Kingston Branch	339,166	322,322
Branches' other funds	1,535,631	1,703,226
	<u>5,103,639</u>	<u>5,903,039</u>

St. John Council for Ontario

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

Each year the Board determines what amount, if any, should be transferred to/from internally restricted net assets. In 2008, there was a net transfer of \$85,000 to endowments and \$714,400 to surplus.

In 2007, \$519,116 was transferred from surplus to internally restricted net assets.

10. ENDOWMENT

Endowment net assets comprise the resources that are required by the donor or the Board to be maintained by Council for Ontario on a permanent basis. The Board has a policy to transfer certain donations to endowment net assets when there is no current intention of making the original donation available for spending.

Effective January 1, 2001, Council for Ontario established a policy with the objective of protecting the purchasing power of the capital by requiring the reinvestment of income not made available for spending. The policy is based on an anticipated long-term real rate of return on investments of 5%.

In 2008, investment loss of \$1,997,929 was deducted from externally restricted endowments. The amount of \$175,295 was transferred from internally restricted endowments to surplus in connection with the investment loss on these endowments. The amount available for spending related to externally restricted endowments of \$703,475 and internally restricted endowments of \$88,890 was transferred from endowments to surplus.

In 2007, investment income of \$226,570 was earned on externally restricted endowments and recorded as investment income in the statement of operations. The shortfall between this amount and the amount available for spending of \$707,366, which equals \$480,796, was transferred from externally restricted endowments to surplus. Investment income of \$19,740 was earned on internally restricted endowments. This amount was recorded as investment income in the statement of operations. In addition, \$362,560 was transferred from internally restricted endowments to surplus.

St. John Council for Ontario

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

The Endowment Fund consists of the following:

	2008	2007
	\$	\$
Externally endowed	10,979,938	13,548,471
Internally endowed	1,502,210	1,746,673
	12,482,148	15,295,144

11. PENSION COSTS AND OBLIGATIONS

St. John Priory of Canada administers a contributory defined benefit pension plan, the St. John Priory of Canada Properties Pension Plan [the "Plan"], on behalf of the provincial and territorial councils. The Plan covers employees of St. John Priory of Canada and the councils across Canada. The Plan provides pensions based on length of service and final average earnings. The annual funding requirements are determined in consultation with the actuaries to provide long-term stability to the Plan. Based on the latest actuarial valuation of the Plan as of January 1, 2006, the Plan was fully funded. As an alternative to participation in the Plan, St. John Priory of Canada offers employees a Group Registered Retirement Savings Plan in which employee contributions are matched up to a maximum 2% of their earnings. During the year, pension contributions totalling \$164,457 [2007 - \$121,212] were charged to the statement of operations.

12. RELATED PARTY TRANSACTIONS

The loan to St. John Priory of Canada of \$405,000 [2007 - \$405,000] plus accrued interest of \$44,485 is due for repayment over 30 months starting January 1, 2009 and bears interest at the bank's prime rate of lending plus 1.5%. The current portion of \$173,117 as at December 31, 2008 is included in accounts receivable.

There is an amount receivable from St. John Priory of Canada of \$6,889 [2007 - \$29,897] included in accounts receivable and an amount payable of \$18,992 included in accounts payable and accrued liabilities. There is an annual commitment to St. John Priory of Canada relating to maintenance fees for the licensed software which, in 2009, is expected to be approximately \$190,000.

During the year, Council for Ontario purchased from St. John Priory of Canada inventory, supplies and sundry items relating to training materials and product revenue at cost and expensed the following charges from St. John Priory of Canada: \$1,031,359 [2007 - \$1,031,359] in assessments, \$199,210 [2007 - \$200,157] in maintenance fees for licensed software and \$131,909 [2007 - \$123,096] in insurance premiums.

St. John Council for Ontario

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

13. CAPITAL MANAGEMENT

In managing capital, Council for Ontario focuses on liquid resources available for operations. Council for Ontario's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at December 31, 2008, Council for Ontario has met its objective of having sufficient liquid resources to meet its current obligations.

14. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2008 financial statements.