

2006
Annual Report

Building
momentum



vision Lead and inspire change: Workplace injury and illness are unacceptable. **mission** Enable Ontario service sector workplaces to be the healthiest and safest in the world.

values • We demonstrate the courage to lead through creativity, innovation and growth. • We model integrity in everything we do, through stewardship, reliability and compassion. • We build strong, enduring relationships built on trust. • We are committed to finding ways to do things better. **strategic goals** • Leverage external stakeholders • Strengthen internal business processes • Learn and grow

- Improve financial viability

MESSAGE

from the chair

On behalf of the OSSA Board of Directors, I want to take this opportunity to highlight two simple and important statements that are touchstones for OSSA management, staff and the Board. They provide a common purpose to all our activities, and a way of measuring our growth and success. They shape what we do and how we do it.

They are:

- Workplace injury and illness are unacceptable.
- We can help make Ontario service sector workplaces the healthiest and safest in the world.

It is difficult to imagine a vision and a mission more worthy of our collective and enduring efforts. It is difficult to imagine a more challenging task in the context of the complexity and diversity of today's workplaces.

What is OSSA doing to meet this challenge?

In the past year, we have spent tremendous time and energy thinking about how we can meaningfully support all our clients, from the largest to the smallest.

We have thought long and hard about how to better understand our own work in order to help our clients do theirs more safely.

We have invested in understanding and leveraging how others do their work and how their experience can help us do more. By forming the Centre for Health & Safety Innovation, the four founding health and safety associations, who together serve 80 per cent of Ontario workers, have opened a new door that we can all walk through together.

Many people have contributed to OSSA's successes over the past nine years. On behalf of the members of the OSSA Board of Directors, I want to take this opportunity to sincerely thank OSSA management and staff, our partners in the prevention system, and all of our workplace partners for the contribution they have made towards achieving OSSA's vision and mission.

Louise Logan

Chair
OSSA Board of Directors

list of BOARD OF DIRECTORS

Valerie Adamo Workplace Safety & Insurance Board **G.A.(Gary) Blake** Goodyear Canada Inc. **Yvonne Blaszczyk** Canadian Pay & Benefits Consulting Group, Inc. **Pat Coursey** Coursey Management Consultants Inc. **Jodi Higgins** Workplace Safety & Insurance Board **E. Louise Logan** Logan & Associates Incorporated **George J. McClean** Acklands-Grainger Inc. **Elizabeth Mills** Ontario Service Safety Alliance (OSSA) **Jill Ramseyer** The TDL Group Corp. (Tim Hortons) **Sandy Robinson** Hummingbird Centre for the Performing Arts **Diego Roccasalva** Maple Leaf Sports & Entertainment Ltd. **Sandra Shantz** The Stone Crock, Inc. **Conrad Turner** Tannis Food Distributors **Gordon Vala-Webb** PricewaterhouseCoopers LLP **Kathryn Woodcock** Ryerson University, School of Occupational & Public Health

MESSAGE

from the president & ceo

In every organization's life, there is a defining moment when it all comes together – when the components are fully assembled, the ignition key is turned, and the engine starts. That sound is nothing short of music.

2006 was such a year for OSSA.

Last year, we aligned our work with a strategy map that showed every person in our organization how they fit into the cause-and-effect logic linking desired outcomes with customers, business processes and competencies.

To our delight, it was immediately clear that the work we were doing for our strategy map aligned neatly with the Progressive Excellence Program we are undertaking with the National Quality Institute.

Both tools guided the growth of our business and the maturing of our processes.

Both tools contributed to our ability to achieve results in an environment where there's an increasing expectation of accountability from the Workplace Safety and Insurance Board, and the OSSA Board of Directors.

And both tools provided OSSA employees with an opportunity to showcase their knowledge and skills, and sustain client satisfaction.

In 2006, we relocated to a venue that has already contributed to our ability to extend our reach to clients, some of them national in scope, as well as open doors to the research community. Our ability to execute a successful move to The Centre for Health & Safety Innovation, while responding to a growing client base; while maintaining a 95 per cent level of client satisfaction; while achieving and even exceeding our 2006 corporate objectives; serves as another piece of core evidence that we're on the right path and we have momentum.

We hope you enjoy the story we have to tell in this year's annual report. As stakeholders of a not-for-profit enterprise that is making incremental and noticeable changes in improving the health and safety of Ontario workers, it will make you proud.

Elizabeth Mills

President and Chief Executive Officer
Ontario Service Safety Alliance

list of MANAGEMENT TEAM MEMBERS

John Aird Vice President, Client Services **Steve Boyle** Executive Director, Operations **Lynn Brownell** Manager, Office of the President **John Bryden** Director, Client Services **Barb Burns** Vice President, Corporate Services **Trudi Farquhar** Director, Client Services **Kim Grant** Manager, Research & Product Development **Dean Hamilton** Manager, Marketing **Fumie Koshimizu** Manager, Finance **Sandra Miller** Director of Innovation **Elizabeth Mills** President & Chief Executive Officer **Jack Minacs** Director, Specialized Services & Training **Sandro Perruzza** Executive Director, Corporate Development **Mitzi Seli** Manager, HR & Administration **Mel Simon** Manager, Information Services **Louisa Yue-Chan** Director, Client Services

Three hundred and thirty-seven years ago, when the early employees of Hudson's Bay Company went about their work hunting, trapping and trading, the Ontario Service Safety Alliance wasn't on the scene to help prevent the injuries and illnesses that, in the 1600s, were all in a day's work.

WHAT A DIFFERENCE A FEW CENTURIES MAKE.

Today, Hudson's Bay Company has evolved into an icon of Canadian business with over 70,000 employees in retail stores across the country, and where the expectation for a day's work is zero injuries and illnesses. And working alongside Hudson's Bay Company and companies like it, as a recognized partner in shaping the content and execution of their health and safety programs, is the Ontario Service Safety Alliance (OSSA): formed just nine years ago around a promise to make a measurable difference to Ontario's service sector.

How does an organization just nine years old intersect in a meaningful way with companies as sophisticated and complex as Hudson's Bay Company, as entrepreneurial as Crabtree and Evelyn, and as recognizable as Maple Leaf Sports and Entertainment?

That's a story worth telling. Especially given that 2006 was a breakthrough year in OSSA's coming of age. If its first few years were about investing in relationships with stakeholders, building processes, and launching new lines of business, then 2006 was about reaping the rewards of that investment.

And what was the catalyst that gelled this new maturity? A visual picture of OSSA's game plan – the development in 2006 of a strategy map that shows how the four pillars of OSSA's business work together to help clients become healthier and safer:

- Delighted clients
- Effective processes
- A motivated and prepared workforce
- Revenue growth and profitability

The strategy map also highlights the most important issues needing attention if OSSA is to achieve its five-year strategic plan by the end of 2008.

Supporting the strategy map is a balanced scorecard made up of a broad selection of measures, many related to process, that inform OSSA and its Board of Directors on how the entire organization is performing against its strategy throughout the year.

With clients at centre stage on the strategy map, OSSA asked, "Who are our clients, and how do we add value?"



CLIENTS: Getting to Know You

The number of clients accessing OSSA's products and services has increased on average by 73 per cent since 2003. In 2006, the number of clients was over 4,200, contributing to OSSA's lines of business growing by 26.8 per cent overall: 16.8 per cent over target.

Two changes occurred in 2006 that contributed to those results: OSSA fine-tuned its client strategy, and Ministry of Labour initiatives sent a flood of clients to its door.

The first change involved the introduction of an effective client strategy: market segmentation. To realize efficiencies in marketing and service delivery, OSSA sorted its clients into four distinct categories, each with common needs. One group, for example, comprises organizations with a single, urgent need: to achieve legislative compliance. Marketing efforts subsequently targeted this group with offerings related to WHMIS and certification training.

Second, the Ministry of Labour (MOL) High Risk and Last Chance initiatives, introduced in 2005, created huge demand for introductory services. In 2006, 479 clients called OSSA's client service line for help in responding to visits by MOL inspectors.

Ranking of preferred providers

	2003 (n=356) %	2004 (n=242) %	2005 (n=300) %	Total 2006 (n=309) %	Products (n=101) %	Consulting (n=101) %	Training (n=107) %
OSSA	90	93	90	90	92	91	86
Other Associations (e.g., WSIB)	5	2	4	5	4	6	6
Private company/organization	–	2	3	2	1	2	3
DK/NA/Ref	5	3	3	3	3	1	6

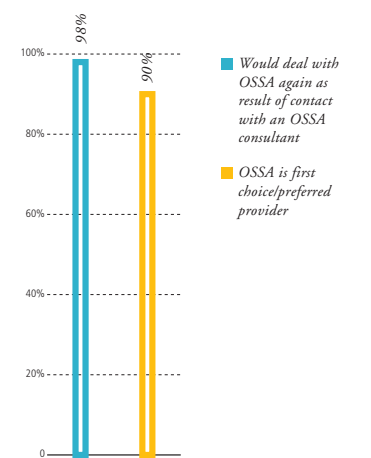
In many cases, that first contact developed into long-term relationships, some involving OSSA's full suite of product, training and consulting services.

Market segmentation and working smarter to keep up with demand gave OSSA a growing sense of capability and confidence to meet increasingly complex business needs.

Working smarter to deliver value to the client is all about an effective and efficient operation, leading OSSA to ask itself, "How can we improve our major business processes?"

Clients' loyalty to OSSA remains strong

Personal preference to work with OSSA



REACHING OUT TO CLIENTS

WHAT OSSA SAID IT WOULD DO IN 2006:

Increase the number of clients using OSSA products and services (market share) by 10 per cent.

WHAT OSSA SAID IT WOULD DO IN 2006:

Increase total number of clients reached (market penetration) by 30 per cent.

REPORT CARD:

26.8 per cent

REPORT CARD:

30 per cent

INTERNAL BUSINESS PROCESSES:

*let there be
light*

Transparency is the property that allows light to transmit through a substance to reveal its centre.

In 2006, as part of its continuous improvement efforts, OSSA shone a light on its business processes from two directions: an internal review and an external audit.

The internal review began with understanding the status quo. Using systematic and evidence-based tools, teams from across the company worked through the surprisingly difficult, but illuminating, exercise of mapping processes to solve problems: how are work orders filled, how are products and services developed, and how are client calls routed to timely and appropriate service? (see sidebar, Solving Client Problems in the Moment)

Self-awareness is a measure of maturity. Process mapping allowed OSSA to understand itself better, to close gaps, improve efficiencies, and work smarter. Suddenly, almost imperceptibly, the organization had reached a critical mass of intel-

lectual and system infrastructure that enabled it to engage with large, sophisticated clients as a valued partner and peer.

It's one thing to shine a light on yourself, but it's quite another to have your progress validated by a third party through an external audit – particularly if it's an independent, not-for-profit organization and the leading authority in Canada on workplace excellence.

Achieving the National Quality Institute's Progressive Excellence Program Level III certification a full year in advance of expectations (see sidebar, Achieving Certification a Year Early) was a high point in a year of many accomplishments.

With business processes taking shape, OSSA asked itself, "How do we motivate and prepare our people to implement them?"



SOLVING CLIENT PROBLEMS IN THE MOMENT

Market segmentation helped an OSSA quality improvement team achieve a breakthrough in timely service delivery. Clients who had been served orders by an MOL inspector on Monday morning, for example, might call OSSA's toll-free customer service line on Monday afternoon needing assistance – fast – with WHMIS, certification, or hazard training. However, with service sector clients often working shift or part-time, and with OSSA consultants frequently on the road, connecting the two could take several days.

Using a 10-step problem-solving tool, the team analyzed incoming calls, mapped existing processes, and made its recommendations. The solution? Stream all incoming client inquiries through a call centre, and staff it with health and safety experts who, four times out of five, could meet the client's need in the moment on the initial phone call. The result? Thousands of frustrating hours saved for OSSA and clients alike, as well as measurable improvements in responsiveness and customer service.

ACHIEVING CERTIFICATION A YEAR EARLY

WHAT OSSA SAID IT WOULD DO IN 2006:

Achieve the National Quality Institute Merit Award by the end of 2006 (and the Progressive Excellence Program Level III certification by the end of 2007).

REPORT CARD:

On December 19, 2006, the NQI wrote to inform OSSA that it had earned its Level III certification a full year ahead of schedule. The Institute also stated that following its on-site verification, the OSSA is eligible for the Canada Awards for Excellence (CAE) Silver Award – the highest level of CAE recognition within the framework for NQI Level III certification. The awards are presented annually to private, public and not-for-profit organizations that have displayed outstanding performance in achieving a high-quality and healthy workplace.

BUILDING THE BRIDGE TO RESEARCH

Emerging knowledge and evidence-based strategies have a tremendous potential to help clients address their health and safety needs; yet, research is a largely untapped resource in Ontario's business sector. Three obstacles stand in the way of the research community, business, and health and safety associations, forming a community:

- **Awareness:** *one group not knowing the others are out there*
- **Access:** *an absence of paths connecting one group to another*
- **Affinity:** *each group unable to speak the others' language*

In 2005, OSSA extended its reach to research by initiating an "ideas day" with the research community at its staff conference, and again in September 2006, by hosting a "Building the Bridge" workshop for representatives from all three groups. Progress has begun on demystifying research and how to access and implement it. Workshop participants will continue in 2007 to develop a framework for working together, inventory the skills and capacity each group can contribute, and identify common issues and research projects.

OPENING A NEW DOOR

In spring 2006, OSSA moved house. The newly constructed Centre for Health & Safety Innovation celebrated its official grand opening in Mississauga, Ontario, on September 20, 2006, achieving a vision that had been eight years in the making.

In forming the Centre, the four founding health and safety associations, who together serve 80 per cent of Ontario workers, sought to provide a central campus and meeting place for health and safety partners to exchange knowledge, learning, and innovation. Their promise is that by combining their strengths, they can do more to eliminate incidents, illness and death in the workplace, than they could alone.

Making a project of this complexity a reality takes vision, guts and skill. It involves as much of a deft hand with managing risk and strategy, as it does with managing the myriad details involved in making a seamless transition for staff and clients.

The move has been worth the effort, in every way. The Centre has opened doors for OSSA to strengthen client value through its exemplary training facilities, state-of-the-art technical equipment and modern amenities; developing new partnerships with the best minds in health and safety research; and achieving efficiencies by combining resources and leveraging knowledge.



OSSA'S EMPLOYEES: motivating and preparing people

Every day, OSSA's 66 employees face the reality of a demanding mandate: a client base representing 81,000 service sector firms, employing more than 4.2 million employees, in five service industry sub-sectors. In 2006, staff actively served over 4,200 of those firms, and for the fifth year in a row, achieved client satisfaction ratings over 90 per cent.

Through its high-functioning performance management system, OSSA invests generously in building the kind of skills, infrastructure and workplace culture needed to achieve results like these. Several quality improvement teams successfully tackled issues in 2006 that improved performance in employee communication, technology and learning.

As one example, a quality improvement team conducted research and built a plan to overcome

information overload and improve internal communications at OSSA (see sidebar, Taking Communication from Clutter to Clarity).

Other teams designed the OSSA's new intranet to make it easier for employees to do business, and share ideas, success stories and best practices. Still others designed a customized formal and informal recognition program, and a strategy to revitalize staff's commitment to long-held values and principles.

The metric OSSA used in 2006 to demonstrate communications effectiveness and workforce engagement was based on the Hewitt Employee Engagement Survey, a tool used by Queen's School of Business, and by the Globe and Mail for its "Best Employers in Canada" feature. The results use employee opinions and perceptions regarding the organization to measure the emotional and intellectual commitment of the workforce (see sidebar, Engaging Employees).

With improvements underway to the first three pillars of the strategy map, positive financial outcomes naturally followed.



TAKING COMMUNICATION FROM CLUTTER TO CLARITY

Information overload is rampant. In an organization like OSSA, with many consultants working out of their homes across the province, it is especially critical that employees be able to cut through the clutter and find relevant information fast to make "just in time" decisions that meet clients' needs.

Starting with an analysis of current reality and research of best practices, the OSSA quality improvement team developed a long wish list, identified its priorities for 2006, and buckled down to make things happen.

On the list of productivity improvements achieved in 2006 was the launch of an ambitious intranet system that would reduce the time spent searching for documents by over 80 per cent; training for every employee to close gaps in software skills; standards and guidelines to streamline use of communications tools; and scheduled "face time" between staff and senior management to foster two-way communication.

FINANCIAL VIABILITY: Reinvesting in Mission and Vision

When OSSA employees tell the story of their company's game plan, it always takes the same shape: "If we understand the characteristics and needs of our market segments; if we excel in executing business processes to deliver value to our clients; and if we have the right people with the right skills and attitudes; then we'll continue to secure our funding from the WSIB, as well as a stable and sustainable profit margin, so that we can reinvest in Ontario's service sector firms becoming healthier and safer."

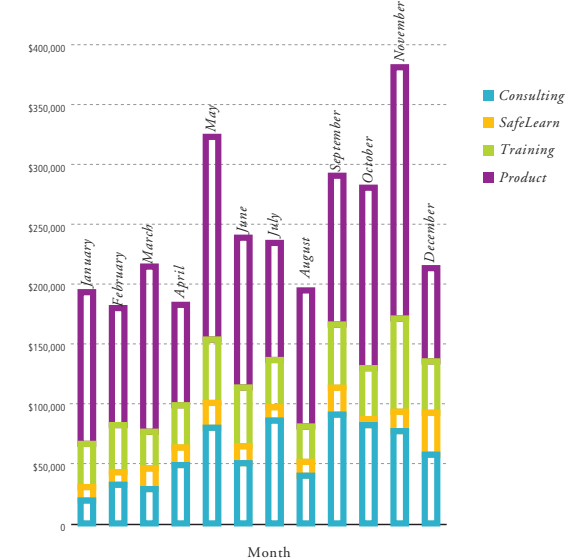
WSIB funding is not automatic and must be earned each year. Securing WSIB funding in 2006 served as the OSSA Board's continuing confidence in OSSA's progression toward its mission and vision. Although OSSA's funding level from the WSIB has been flat-lined since 2003, this reality has been both a challenge and opportunity. It has driven, through necessity, much of OSSA's invention in examining and maturing the pillars of its strategy map.

OSSA has significantly grown revenue over the past four years, primarily a result of increased client demands for a broader suite of more sophisticated consulting and training services, including on-line training.

Sales revenues



2006 monthly revenue



However, another test of success plays out "on the street." In 2006, OSSA proved its ability to market its products and services to a full spectrum of clients, small and large. Through its work with Hudson's Bay Company, Crabtree and Evelyn, Maple Leaf Sports, and a host of other organizations representing a full spectrum of diversity and complexity, OSSA demonstrated that it has the depth and maturity to be chosen as a full-service provider that can contribute to a greater good within an increasingly demanding health and safety system.

ENGAGING EMPLOYEES

WHAT OSSA SAID IT WOULD DO IN 2006:

Achieve a five per cent improvement in the Employee Engagement Survey for two identified engagement drivers: people and quality of life.

REPORT CARD:

Achieved **24** per cent

REACHING REVENUE AND PROFIT TARGETS

WHAT OSSA SAID IT WOULD DO IN 2006:

Increase revenue to \$2,530,000 from all sources, excluding the WSIB annual grant.

REPORT CARD:

Exceeded target by **15.3** per cent

OSSA STATISTICS

from association profile

OSSA Fatality Analysis 1998 – 2006

	9 year total
MVA/Collision With Train	1
MVA/Collision With Other M.V./Reentrant	3
MVA/Collision With Other M.V.	14
MVA/Collision With Pedestrian	1
MVA/Collision On Highway	1
MVA/Loss Of Control On Highway	4
MVA/Unspecified	1
MVA/Non Traffic/Snow Vehicle	1
MVA/Non Traffic/Collision With Moving Object	1
MVA/Non Traffic/Unspecified	2
Other Accident Submerge Or Drown In Water Trns	1
Aircraft Accident/Other/Unspecified	4
Accidental Poisoning, Analges, Antipyretics, A.Rheuma	1
Accidental Poisoning, Foodstuffs, Plants	1
Fall On Or From Ladder/Scaffolding	2
Fall From Or Out Of Building Or Other Structure	1
Other Fall From One Level To Another	3
Conflagration In Other Building, Structur	2
Accident By Controlled Fire Not In Building	1
Other Injury Caused By Animals	2
Accidental Drowning & Submersion	1
Accidentally Struck By Falling Object	2
Accidentally Struck By Objects/Persons	2
Accident Caused By Machinery	7
Accident By Explosion Of Pressure Vessel	1
Accident Caused By Electric Current	3
Suicide By Cutting, Piercing Objects	1
Suicide & Self Inflicted Injury	1
Assault By Firearms And Explosives	3
Assault By Cutting & Piercing Instrument	1
Assault By Other & Unspecified Means	1
Not Applicable*	21
Total	91

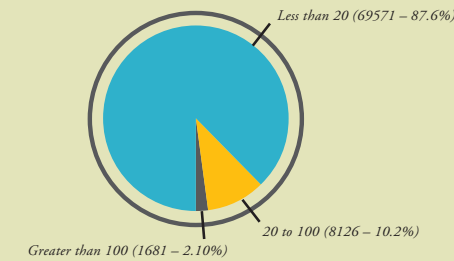
*Disease claims

MATURING RELATIONSHIPS WITH VOLUNTEERS

A mature organization needs the leadership, advocacy and support of mature governing and advisory bodies. In 2006, OSSA and its Board of Directors laid the groundwork for excellence in its governance practices, by developing a structure and supporting policy manual that reflects best practices in the field. The Board subsequently spent much of the year investing in OSSA's future by participating in "generative" brainstorming sessions that challenged members to explore what hasn't yet been thought of; for example, who are not OSSA customers, and why?

In addition, OSSA prepared in 2006 to reframe its relationship with the volunteers who serve on its four advisory committees, which represent the five sub-sectors of OSSA's membership. The committees are looking ahead to a strategic dialogue with OSSA in 2007, where they will share emerging client needs, program requirements and feedback on the effectiveness of OSSA's products and services, in exchange for insight on developing trends and changes in Ontario's prevention system.

Demographics By Size (number of employees)



Demographics By Sub-sector

Sector Classification

Office and Related Services	4,747	5.9%
Restaurant and Foodservices	19,178	24.1%
Retail and Wholesale Distribution	34,223	43.1%
Tourism and Hospitality	11,529	14.5%
Vehicle Sales and Services	9,701	12.2%
Total	79,378	

Top ways in which company changed approach to workplace health and safety % Among those who have made changes

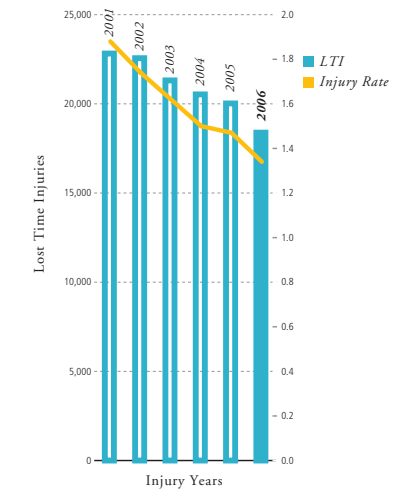
Changed attitudes/take it seriously/make it a priority	(18%)
Raised awareness/More information available to organization	(18%)
Training/certification	(13%)
Developed policies/guidelines	(12%)
Have formed/improved health and safety committee	(10%)
Improved knowledge	(8%)

Type of Injury

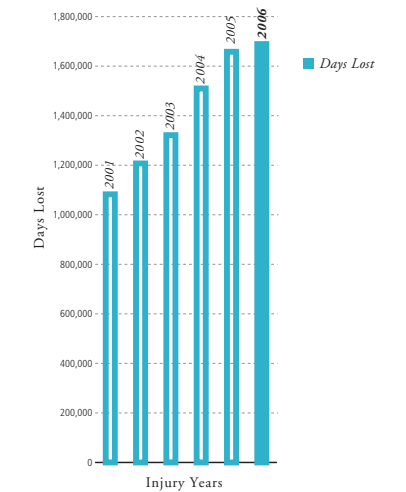
Rankings 2006	Hospitality/Tourism (#LTIs)	Total	Office & Related (#LTIs)	Total	Restaurant & Food Service (#LTIs)	Total	Retail & Wholesale (#LTIs)	Total	Vehicle Sales & Service (#LTIs)	Total
1	Overexertion	556	Overexertion	107	Struck	957	Overexertion	3623	Overexertion	621
2	Fall	323	Fall	71	Overexertion	952	Struck	1714	Struck	426
3	Struck	214	Struck	39	Fall	726	Fall	1198	Fall	209
4	Assault	33	Caught in Equipment	16	Heat	465	Caught in Equipment	287	Caught in Equipment	81
5	Vehicle Accident	31	Vehicle Accident	5	Caught in Equipment	108	Vehicle Accident	198	Vehicle Accident	40
6	Caught in Equipment	29	Heat	2	Abrasion	60	Abrasion	75	Heat	34
7	Abrasion	18	Assault	0	Assault	33	Assault	60	Abrasion	33
8	Heat	15	Abrasion	0	Vehicle Accident	16	Heat	46	Assault	4
Total		1219		240		3317		7201		1448

LTi = Lost time injury

Lost time injuries

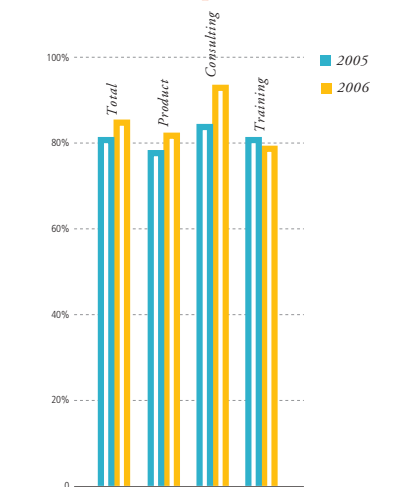


Days lost in Injury Year



A shift in attitudes and awareness are the most reported changes

% of companies that indicated they changed how they approach workplace health and safety as a result of the OSSA service or product they utilized



Auditors' Report

To the Members of the

Ontario Service Safety Alliance:

We have audited the statement of financial position of the Ontario Service Safety Alliance as at December 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association'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 the Association as at December 31, 2006 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Newmarket, Ontario
February 21, 2007

Statement of Financial Position

December 31	2006	2005
ASSETS		
Current		
Cash and cash equivalents (Note 1)	\$ 1,635,617	\$ 1,748,869
Accounts receivable	158,103	143,773
Due from Centre for Health and Safety Innovation (Note 2)	87,840	198,019
Safety products inventory	435,549	295,944
Prepaid expenses	23,232	81,325
Deposits	–	168,796
	<u>2,340,341</u>	<u>2,636,726</u>
Investment in Centre for Health and Safety Innovation (Note 3)	237,381	–
Deferred development costs (Note 4)	201,804	267,254
Capital assets (Note 5)	728,173	215,090
	<u>\$ 3,507,699</u>	<u>\$ 3,119,070</u>
LIABILITIES AND NET ASSETS		
Current		
Short term loan (Note 6)	\$ 100,000	\$ –
Accounts payable and accrued liabilities	1,332,209	1,456,843
Customer deposits	220,195	98,985
Rental incentive	52,589	–
Deferred revenue (Note 7)	–	42,061
	<u>1,704,993</u>	<u>1,597,889</u>
Deferred revenue (Note 7)	1,335,073	1,051,077
Net assets		
Unrestricted net assets	467,633	470,104
	<u>\$ 3,507,699</u>	<u>\$ 3,119,070</u>

On behalf of the Board:



Director



Director

Statement of Operations

For the year ended December 31	2006	2005
REVENUE		
Workplace Safety and Insurance Board		
Operating	\$ 7,260,196	\$ 7,237,117
Special projects	–	55,600
Safety product	1,515,210	1,355,591
Courses and seminar	1,402,796	870,103
Interest and other income	69,243	30,043
Amortization of deferred revenue-		
capital assets	59,976	40,677
development costs	65,450	59,996
Income from Centre for Health and Safety Innovation (Note 3)	5,455	–
	<u>10,378,326</u>	<u>9,649,127</u>
EXPENSES		
Advertising and promotion	149,461	229,471
Amortization of capital assets	59,976	40,677
Amortization of development costs	65,450	59,996
Consulting	290,345	165,039
Insurance	63,075	45,216
Interest on debt	11,138	–
Occupancy costs	613,997	316,736
Office	925,680	548,473
Other	130,473	33,205
Other personnel costs	227,257	313,410
Professional fees	82,246	38,069
Program delivery	1,172,691	1,286,520
Salaries and benefits	6,328,020	6,203,116
Special projects	–	55,600
Travel and business	258,517	313,599
	<u>10,378,326</u>	<u>9,649,127</u>
Excess of revenue over expenses	\$ –	\$ –

Statement of Changes in Net Assets

For the year ended December 31	Unrestricted	Invested in Capital Assets	Total 2006	Total 2005
Balance, beginning of the year	\$ 470,104	\$ –	\$ 470,104	\$ 470,104
Excess of revenue over expenses	–	–	–	–
Transfer to Restricted Funding	(2,471)	–	(2,471)	–
Balance, end of the year, (Note 12)	<u>\$ 467,633</u>	<u>\$ –</u>	<u>\$ 467,633</u>	<u>\$ 470,104</u>

Statement of Cash Flows

For the year ended December 31	2006	2005
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ –	\$ –
Items not involving cash		
Amortization of deferred revenue –		
capital assets	(59,976)	(40,677)
development costs	(65,450)	(59,996)
Amortization of capital assets	59,976	40,677
Amortization of development costs	65,450	59,996
Changes in non-cash working capital balances	–	–
Accounts receivable	(14,330)	(21,956)
Due from Centre for Health and Safety Innovation	110,179	(29,223)
Safety products	(139,605)	25,270
Prepaid expenses and other	58,093	(17,453)
Deposit	168,796	(168,796)
Accounts payable and accrued liabilities	(124,634)	699,818
Deferred revenue	367,361	711,152
Rental incentive	52,589	–
Customer deposits	121,210	85,757
	599,659	1,284,569
INVESTING ACTIVITIES		
Additions to capital assets	(573,059)	(198,020)
Increase in deferred development costs	–	(85,000)
Investment in Centre for Health and Safety Innovation	(237,381)	–
Decrease in net assets	(2,471)	–
	(812,911)	(283,020)
FINANCING ACTIVITIES		
Loan from IAPA	100,000	–
INCREASE (DECREASE) IN CASH DURING THE YEAR	(113,252)	1,001,549
CASH AND CASH EQUIVALENTS, beginning of the year	1,748,869	747,320
CASH AND CASH EQUIVALENTS, end of the year	\$ 1,635,617	\$ 1,748,869

Summary of Significant Accounting Policies

Year ended December 31, 2006

NATURE OF ORGANIZATION

Ontario Service Safety Alliance (the “Association”) was incorporated without share capital under the laws of Ontario on August 6, 1997 and is a designated entity under the Workplace Health and Safety Act.

The Association is an organization providing health and safety products and services to the service sector. The Association’s mission is to be the leading provider of Health and Safety awareness, education assistance and training within the Ontario service industry. The Association is a not-for-profit organization under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

REVENUE RECOGNITION

The Association, which is funded by the WSIB, follows the deferral method of accounting for funding. Restricted funding from the WSIB is deferred and recognized as revenue when the related expense occurs. Safety Product recoveries are recognized as revenue when goods are shipped and there is reasonable assurance of collection. Course and Seminars Recoveries are recognized as revenue on the completed contract basis and when there is reasonable assurance of collection. Unrestricted funding is recognized as revenue when received or receivable. Funding received for capital expenditures or deferred development costs is deferred and recognized as revenue over the estimated useful life of the assets.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, balances with the Association’s bank and investments with original maturity dates of three months or less at the date of acquisition. Short-term investments are recorded at the lower of cost and market value.

DEFERRED DEVELOPMENT COSTS

Development costs relate to the development of the Association’s SafeLearn program. Development costs are expensed as incurred, except for development costs when technical feasibility has been established and management has indicated its intention to produce and market the product or process. The deferred costs are amortized over five years.

CAPITAL ASSETS

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the following periods:

Computer hardware	3 years
Computer software	3 years
Furniture and office equipment	5 years

Leasehold improvements are amortized on a straight-line basis over the remaining term of the lease. Leasehold improvements in progress are not amortized until the asset is ready for use.

FUNDING AND NET ASSETS

The Health and Safety Association Surplus Recovery Policy (the “surplus policy”) allows the Association to retain 100% of surplus funds. Surplus funds are to be recognized and applied towards the elimination of any unrestricted net assets deficiency. Remaining surpluses may be retained as unrestricted net assets but shall not cumulatively exceed 6% of the Workplace Safety and Insurance Board (the “WSIB”) funding for the fiscal year. The unrestricted net assets balance is available for use by the Association without WSIB approval.

Surpluses in excess of the cumulative 6% maximum unrestricted net assets balance are recognized as deferred revenue for use within a twenty-four month period.

Expenditure of these funds requires prior approval of the WSIB. If the deferred revenue is not expended within twenty-four months, the funds are to be transferred to the Prevention Dynamics Corporation.

INVENTORY

Safety products are recorded at the lower of cost, and net realizable value. Cost is determined on a first-in first-out basis.

FINANCIAL INSTRUMENTS

The Association carries various forms of financial instruments. Unless otherwise noted, it is management’s opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the revenues and expenses during the year. Actual results could differ from management’s best estimates as additional information becomes available in the future.

PENSION PLAN

The Association’s contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due.

INVESTMENT IN CENTRE FOR HEALTH AND SAFETY INNOVATION

The Association is a joint venture partner in the Centre for Health and Safety Innovation (CHSI). The Association’s investment in CHSI represents 24.47% interest and is accounted for by the equity method. Under this method, the investment is recorded at cost plus the Association’s proportionate share of CHSI’s surplus since inception.

Notes to the Financial Statements

December 31, 2006

1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	2006	2005
Cash	\$ 1,435,617	\$ 891,983
Short-term investments	200,000	856,886
	\$ 1,635,617	\$ 1,748,869

Cash of \$405,096 (2005 – \$441,998) is restricted cash as the use of these funds requires the concurrence of the WSIB that the proposed uses are in accordance with the Association’s objectives.

2. RELATED PARTY TRANSACTIONS

The association pays their proportionate rental area share of the operating costs of the Centre for Health & Safety Innovation (CHSI). Any surplus (deficiency) in CHSI will be shared by the members based on their proportionate rentable areas. The association has a sublease with CHSI for their proportionate rental area. These transactions are in the normal course of business, and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and approximates the arm’s length equivalent value.

	2006	2005
Due from CHSI	\$ 87,840	\$ 198,019
Trade AR	5,168	–
Trade AP	19,372	–

3. INVESTMENT IN CENTRE FOR HEALTH AND SAFETY INNOVATION

Centre for Health and Safety Innovation (CHSI) is a not-for-profit organization, incorporated under the laws of the province of Ontario on September 8, 2004. The purpose of CHSI is to create a focal point for innovation and applied learning in the prevention of workplace injuries and illnesses and to act as a key resource for employers, employees and others seeking expertise and direction on how to make workplaces safer. The organization is exempt from income taxes under the Income Tax Act.

In addition to the Association, CHSI's members include Industrial Accident Prevention Association, Electrical & Utilities Association of Ontario and Transportation Health and Safety Association of Ontario. Each of the joint venture members possess an equal 25% vote. The Association's investment in CHSI represents 24.47% of the total member's capital investment and is accounted for by the equity method.

Financial Position:

	CHSI	OSSA 24.47% share
Assets	\$ 2,398,809	\$ 586,989
Liabilities	1,428,721	349,608
Net assets	<u>\$ 970,088</u>	<u>\$ 237,381</u>
Financial activities (from the period of inception to December 31, 2006):		
Revenue	\$ 4,303,877	\$ 1,053,159
Expenses	4,281,584	1,047,704
Expenses of revenue over expenses	<u>\$ 22,293</u>	<u>\$ 5,455</u>
Investment consists of:		
Initial capital investment		\$ 231,926
Proportionate share of surplus since inception		5,455
Balance, end of year		<u>\$ 237,381</u>

4. DEFERRED DEVELOPMENT COSTS

Deferred development costs consist of the following:

	2006	2005
Deferred development costs	\$ 327,250	\$ 327,250
Accumulated amortization	(125,446)	(59,996)
	<u>\$ 201,804</u>	<u>\$ 267,254</u>

5. CAPITAL ASSETS

	2006		2005	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture, office equipment	\$ 251,026	\$ 154,176	\$ 233,634	\$ 220,155
Computer software	141,637	141,637	141,637	141,637
Leasehold improvements	668,460	37,137	145,286	141,694
Leasehold improvements in progress	-	-	198,019	-
	<u>\$ 1,061,123</u>	<u>\$ 332,950</u>	<u>\$ 718,576</u>	<u>\$ 503,486</u>
Net book value		<u>\$ 728,173</u>		<u>\$ 215,090</u>

6. SHORT TERM LOAN

	2006	2005
Due to Industrial Accident Prevention Association (IAPA), 5% interest, due January 1, 2014, repayable in equal monthly instalments commencing January 1, 2007 but can be repaid at any time. Balance is secured by a general security agreement.	<u>\$ 100,000</u>	<u>\$ -</u>

Subsequent to its year end, the Association repaid the balance to IAPA in full.

7. DEFERRED REVENUE

Deferred revenue consists of the following:

	2006	2005
Deferred development costs	\$ 201,804	\$ 267,254
Deposit	-	168,796
Capital assets	728,173	215,090
Operating	<u>405,096</u>	<u>441,998</u>
	<u>1,335,073</u>	<u>1,093,138</u>
Less current portion	-	42,061
	<u>\$ 1,335,073</u>	<u>\$ 1,051,077</u>

Changes in the deferred revenue balance are as follows:

	2006	2005
Deferred revenue, beginning of the year	\$ 1,093,138	\$ 482,659
Restricted funding in excess of the current year's expenditures	402,625	399,936
Transfer from unrestricted funding	2,471	-
Current year's expenditures from prior year's restricted excess funding incurred for deferred development costs	-	(85,000)
Current year's expenditures from prior year's restricted excess funding incurred for special projects	(441,998)	(55,600)
Deferred development costs	-	85,000
Purchase of capital assets from restricted funding	441,998	198,020
Purchase of capital assets from unrestricted surplus	131,061	-
Deposit on leased premises	(168,796)	168,796
Amortization of deferred revenue – capital assets	(59,976)	(40,677)
Amortization of deferred revenue – development costs	(65,450)	(59,996)
Deferred revenue, end of the year	<u>\$ 1,335,073</u>	<u>\$ 1,093,138</u>

8. PENSION PLAN

Substantially all of the employees of the Association are members of the WSIB Pension Plan (the "Plan"), which is a multi-employer, defined benefit pension plan available to all eligible employees of the participating members.

Contributions to the Plan made during the year by the Association on behalf of employees amounted to \$478,108 (2005 – \$482,785) and are included in salaries and benefits in the statement of operations.

9. LEASE COMMITMENTS

The future minimum annual lease payments under operating leases for premises and computer equipment are approximately as outlined below. Included in 2007, is \$147,000 of basic rent for the Association's former location. This lease expires December 30, 2007, and the location has been subleased to a tenant that pays part of the lease amount.

2007	\$ 684,000
2008	527,000
2009	527,000
2010	534,000
2011	535,000
Thereafter	5,569,760

Future minimum annual lease payments for premises may vary from these amounts based on the usage of the common areas by the members of the joint venture and revenues derived from leasing space to third parties.

10. ECONOMIC DEPENDENCE

In 2006 the association received approximately 70% or \$7,260,196 (2005 – \$7,237,117 or 75%) of its funding from the Workplace Safety and Insurance Board. Annual funding is based on the approved budget.

11. COMPARATIVE INFORMATION

The comparative information was reported on by another auditor.

12. UNRESTRICTED NET ASSETS

Effective with the year ended December 31, 2006, Workplace Safety and Insurance Board (WSIB) reduced its funding and in accordance with WSIB's policy on retaining unrestricted net assets at a maximum of 6% of WSIB's current year funding this resulted in a reduction to net assets of \$2,471.



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