

# **Easter Seals Canada**

**Financial Statements**

**For the Year Ended March 31, 2017**

## INDEPENDENT AUDITORS' REPORT

### To the Board of Directors of Easter Seals Canada

We have audited the accompanying financial statements of Easter Seals Canada which comprise the statement of financial position as at March 31, 2017 and the statements of revenue and expenses, 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 is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Easter Seals Canada as at March 31, 2017, 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.

*Collins Barrow Toronto LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
June 20, 2017  
Toronto, Ontario

**Easter Seals Canada**  
**Statement of Financial Position**  
**As at March 31, 2017**

	2017	2016
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 324,788	\$ 335,170
Accounts receivable	20,885	37,691
HST recoverable	52,861	34,905
Prepaid expenses	26,115	28,825
	<b>424,649</b>	436,591
Long-term investments (Note 2)	1,497,911	1,394,897
Property and equipment (Note 3)	15,871	3,539
	<b>\$ 1,938,431</b>	<b>\$ 1,835,027</b>

**Liabilities**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 138,871	\$ 77,331
Current portion of pension liability (Note 5)	6,600	6,600
	<b>145,471</b>	83,931
Pension liability (Note 5)	17,485	24,085
Deferred contributions (Note 6)	121,960	86,187
	<b>284,916</b>	194,203

**Net assets (deficiency)**

Internally restricted for discretionary purposes	468,478	468,478
Internally restricted for Fundraising Committee	-	(141,203)
Internally restricted for brand building	-	37,989
Internally restricted for stabilization reserve	470,000	470,000
Unrestricted net assets	715,037	805,560
	<b>1,653,515</b>	1,640,824
	<b>\$ 1,938,431</b>	<b>\$ 1,835,027</b>

*Commitments* (Note 10)

Approved by the Board

\_\_\_\_\_  
 Director

\_\_\_\_\_  
 Director

**Easter Seals Canada**  
**Statement of Changes in Net Assets**  
**Year Ended March 31, 2017**

	<b>March 31, 2017</b>					
	<b>Internally Restricted for:</b>				<b>Unrestricted</b>	<b>Total</b>
	<b>Discretionary Purposes</b>	<b>Fundraising Committee</b>	<b>Brand Building</b>	<b>Stabilization Reserve</b>		
Balance, beginning of year	\$ 468,478	\$ (141,203)	\$ 37,989	\$ 470,000	\$ 805,560	\$ 1,640,824
Surplus (deficiency) of revenue over expenses	-	-	-	-	12,691	12,691
Interfund transfer	-	427,078	(37,989)	-	(389,089)	-
Internal restrictions (Note 7)	-	(285,875)	-	-	285,875	-
<b>Balance, end of year</b>	<b>\$ 468,478</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 470,000</b>	<b>\$ 715,037</b>	<b>\$ 1,653,515</b>

	<b>March 31, 2016</b>					
	<b>Internally Restricted for:</b>				<b>Unrestricted</b>	<b>Total</b>
	<b>Discretionary Purposes</b>	<b>Fundraising Committee</b>	<b>Brand Building</b>	<b>Stabilization Reserve</b>		
Balance, beginning of year	\$ 468,478	\$ (78,084)	\$ 54,091	\$ 470,000	\$ 512,996	\$ 1,427,481
Surplus (deficiency) of revenue over expenses	-	-	(16,102)	-	229,445	213,343
Internal restrictions (Note 7)	-	(63,119)	-	-	63,119	-
<b>Balance, end of year</b>	<b>\$ 468,478</b>	<b>\$ (141,203)</b>	<b>\$ 37,989</b>	<b>\$ 470,000</b>	<b>\$ 805,560</b>	<b>\$ 1,640,824</b>

**Easter Seals Canada**  
**Statement of Revenue and Expenses**  
**Year Ended March 31, 2017**

	2017	2016
<b>Revenue</b>		
Easter Seals Fundraising Committee (Note 7)	\$ 2,660,925	\$ 2,595,969
Assessments	414,024	414,024
Program funding and cost recoveries (Note 9)	406,240	385,423
Investment income (Note 2)	164,303	(25,196)
Donations	24,857	12,164
Bequests	20,017	178,064
Miscellaneous	5,143	9,429
	<b>3,695,509</b>	<b>3,569,877</b>
<b>Expenses</b>		
Corporate campaign disbursements to licensed members (Note 7)	1,916,891	1,829,402
Easter Seals Fundraising Committee (Note 7)	1,029,909	829,686
General (schedule - page 13)	533,767	501,084
Programs (schedule - page 13)	202,251	196,362
	<b>3,682,818</b>	<b>3,356,534</b>
<b>Surplus of revenue over expenses</b>	<b>\$ 12,691</b>	<b>\$ 213,343</b>

**Easter Seals Canada**  
**Statement of Cash Flows**  
**Year Ended March 31, 2017**

	2017	2016
<b>Cash provided by (used in)</b>		
<b>Operations</b>		
Surplus of revenue over expenses	\$ 12,691	\$ 213,343
Items not affecting cash		
Amortization	3,745	5,461
Realized gain on disposal of long-term investments (Note 2)	(58,252)	(65,902)
Change in unrealized gain on long-term investments (Note 2)	(57,633)	122,099
	<b>(99,449)</b>	275,001
Net change in working capital excluding cash		
Accounts receivable	16,806	27,208
HST recoverable	(17,956)	3,167
Prepaid expenses	2,710	(5,984)
Accounts payable and accrued liabilities	61,540	(122,148)
Deferred contributions	35,773	(9,000)
Pension liability	(6,600)	(6,600)
<b>Cash provided by (used in) operations</b>	<b>(7,176)</b>	161,644
<b>Investing</b>		
Purchase of property and equipment	(16,077)	-
Purchase of long-term investments	(1,187,721)	(1,640,750)
Proceeds from sale of long-term investments	1,200,592	1,632,133
Repayment of advance to Easter Seals Nova Scotia	-	100,000
<b>Cash provided by (used in) investing activities</b>	<b>(3,206)</b>	91,383
<b>Increase (decrease) in cash</b>	<b>(10,382)</b>	253,027
<b>Cash, beginning of year</b>	<b>335,170</b>	82,143
<b>Cash, end of year</b>	<b>\$ 324,788</b>	<b>\$ 335,170</b>

## **PURPOSE OF ORGANIZATION**

Easter Seals Canada (the "Organization") is incorporated without share capital as a non-profit organization under the provisions of the Canada Corporations Act and obtained certificate of continuance under the Canada Not-for-profit Corporations Act and is a registered charity within the meaning of the Income Tax Act. Accordingly, it is exempt from income taxes.

It is a principal national advocate and coordinator acting in partnership with its members and associates to enhance the quality of life of Canadians with disabilities.

These financial statements do not include the financial activities of the Organization's licensed members across Canada. The Organization has no direct control over their day-to-day operations, including their financial activities. For this reason, the Board of Directors has agreed that it would not be either appropriate or feasible to consolidate the licensed members operations in these financial statements.

## **1. SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Accounting**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant for the Organization.

### **Management Estimates**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

### **Revenue Recognition**

The Organization follows the deferral method of accounting for contributions, which are non-reciprocal receipts from entities other than members and licensees of the Organization.

- (a) Externally restricted contributions including special purpose grants and receipts from national corporate campaign fundraising are recognized as revenue in the year in which the related expenses are incurred/fundraising receipts are disbursed to licensed members. Accordingly, deferred contributions represent unspent resources from externally restricted contributions.
- (b) Unrestricted contributions (i.e. contributions that have not been externally restricted) are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

**1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Revenue Recognition (Cont'd)**

- (c) Bequests received by the Organization are processed promptly and held as a deferred contribution until final disposition is determined. The details of the bequest received are reported to licensed members quarterly and are canvassed to determine if they can establish an ongoing relationship with the donor of the bequest. The results are reported to the Executive and Board of Directors. Once the Board determines the disposition of the bequest it is brought into revenue and either disbursed to a provincial member(s) with the corresponding disbursement being recorded as an expense or retained by the Organization.

Program funding in the form of cost sharing assessments received from members that relate to events that take place in a subsequent fiscal period are reported as deferred revenue, net of any program costs to date. Both the program funding and program expenses are recognized in the period that the event is held or the program is delivered.

**Volunteer Services**

The Organization benefits substantially from services in the form of volunteer time. These services are not recorded in these financial statements due to the difficulty in determining their fair value.

**Property and Equipment**

Property and equipment are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which are summarized below.

Computer hardware	3 years
Office furniture and equipment	5 years
Leasehold improvements	term of the lease

When property and equipment no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

**Net Assets**

There are no external restrictions on net assets. Internally restricted amounts are not available for other purposes without approval of the board of directors.

Net assets internally restricted for discretionary purposes are amounts that have been set aside by resolution of the board of directors.

Net assets internally restricted for Easter Seals Fundraising Committee ("Fundraising Committee") represent the cumulative excess or deficiency of assessments for administration and campaign materials over actual expenditures.

Net assets internally restricted for brand building is designed to meet special initiatives approved by the Board of Directors. The objective of the brand building initiative is to develop a national brand framework that can bridge the gaps across Canada and enhance the programs and services offered at the provincial level.



**1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Net Assets (Cont'd)**

During fiscal 2009, the Board of Directors approved a transfer of \$200,000 from the Unrestricted net assets to net assets internally restricted for brand building. During 2012, the Board of Directors approved an additional transfer of \$80,000 from the unrestricted net assets.

Net assets internally restricted for Easter Seals stabilization reserve is to ensure the long-term funding and stability of the organization and its programs. The purpose of the stabilization reserve is to establish and maintain financial reserves at a minimum level equivalent to at least one year of on-going normalized annual operating expenses (the direct costs of the national office only) of the Organization.

Effective March 31, 2017 the Board of Directors approved eliminating the net assets internally restricted for the Fundraising Committee and brand building.

**Financial Instruments**

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity instruments and fixed income securities that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the surplus of revenue over expenses.

Financial assets measured at amortized cost include cash and accounts receivable. The Organization's financial assets measured at fair value include long-term investments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and pension liability.

Transaction costs and financing fees are expensed as incurred for financial instruments measured at fair value and capitalized for financial instruments that are subsequently measured at cost or amortized cost.

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down, if any, is recognized in the surplus of revenue over expenses. Reversals of impairment are recorded to the extent that the value has increased, up to the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the surplus of revenue over expenses.

**Allocation of General Support Expenditures**

Rent expense is allocated to the Easter Seals Fundraising Committee based upon the percentage of office space used.

**Easter Seals Canada**  
**Notes to Financial Statements**  
**March 31, 2017**

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**2. INVESTMENTS**

(a) Long-term investments are managed by a professional investment manager, and are comprised the following:

	<b>2017</b>	2016
Closing portfolio - at cost	\$ 1,364,881	\$ 1,319,500
Unrealized gain on long-term investments	133,030	75,397
Closing portfolio - at fair value	<b>\$ 1,497,911</b>	<b>\$ 1,394,897</b>

(b) Investment income is comprised of the following:

	<b>2017</b>	2016
Interest and dividend income	\$ 48,418	\$ 31,001
Realized gain on disposal of long-term investments	58,252	65,902
Change in unrealized gain on long-term investments	57,633	(122,099)
	<b>\$ 164,303</b>	<b>\$ (25,196)</b>

**3. PROPERTY AND EQUIPMENT**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net 2017</b>	<b>Net 2016</b>
Computer hardware	\$ 68,684	\$ 67,280	\$ 1,404	\$ 3,539
Office furniture and equipment	36,784	25,778	11,006	-
Leasehold improvements	6,917	3,456	3,461	-
	<b>\$ 112,385</b>	<b>\$ 96,514</b>	<b>\$ 15,871</b>	<b>\$ 3,539</b>

**4. BANK INDEBTEDNESS**

The Organization has arranged a \$100,000 unsecured operating line of credit. The effective interest rate was 4.20% at March 31, 2017 (4.35% - March 31, 2016), which consists of the bank's prime interest rate plus 1.50%. As at March 31, 2017, there was no outstanding balance against this line of credit.

**5. PENSION LIABILITY**

The Organization is obligated to fund a pension payment of \$550 per month over the life of a pensioner's widow.

**Easter Seals Canada**  
**Notes to Financial Statements**  
**March 31, 2017**

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**6. DEFERRED CONTRIBUTIONS**

(a) The changes in deferred contributions are as follows:

	<b>2017</b>	<b>2016</b>
Deferred contributions, beginning of year	\$ 86,187	\$ 95,187
Add cash received:		
National corporate campaign fundraising (see 6 (c))	1,916,891	1,832,306
Other internally restricted funds received	-	178,064
Program funding received	481,206	393,501
Externally restricted funds	10,000	-
Deduct amounts recognized in income:		
Corporate campaign disbursements to licensed members (Note 7)	(1,916,891)	(1,832,305)
Other disbursements	(455,433)	(580,566)
<b>Deferred contributions, end of year</b>	<b>\$ 121,960</b>	<b>\$ 86,187</b>

(b) Components of the end of year balance are as follows:

	<b>2017</b>	<b>2016</b>
National corporate campaign fundraising	\$ -	\$ 187
Externally restricted funds	71,000	61,000
Program funding	50,960	25,000
	<b>\$ 121,960</b>	<b>\$ 86,187</b>

(c) National corporate campaign fundraising receipts from donors were as follows:

	<b>2017</b>	<b>2016</b>
Friends of We Care	\$ 1,180,000	\$ 1,015,000
Safeway	171,127	272,281
Drop Zone	124,927	192,805
The Bargain Shop	103,469	107,945
Other	122,257	92,158
Booster Juice	65,000	75,000
Century 21	134,162	64,603
Bag Programs	15,949	12,514
	<b>\$ 1,916,891</b>	<b>\$ 1,832,306</b>

**Easter Seals Canada**  
**Notes to Financial Statements**  
**March 31, 2017**

**7. EASTER SEALS FUNDRAISING COMMITTEE**

	2017	2016
<b>Revenue</b>		
Assessments to licensed members for administration	\$ 380,576	\$ 380,576
Special assessments (drop zone)	271,065	272,070
Special assessments (paper egg)	14,137	18,342
Special assessments (national ambassador program)	40,150	45,000
Special assessments (feeding ability)	7,177	21,412
Special assessments (make the first five count)	25,000	-
Donations	5,929	26,264
	<b>744,034</b>	763,664
Recognized corporate campaign fundraising (Note 6 (a))	<b>1,916,891</b>	1,832,305
	<b>2,660,925</b>	2,595,969
<b>Expenses</b>		
Event production	601,023	382,154
Salaries and benefits	299,058	291,754
Rent (Note 8)	44,725	35,582
Insurance	25,887	30,612
Program development	7,446	20,412
Paper egg supplies	13,950	16,238
Travel	6,462	13,775
Telephone	5,017	11,044
Other	9,649	8,354
Office supplies, postage and delivery	8,357	7,942
Office equipment rental	1,068	7,728
Professional fees	-	2,133
Committee	7,267	1,958
Total administration expenses	<b>1,029,909</b>	829,686
Corporate campaign disbursements to licensed members (Note 6 (a))	<b>1,916,891</b>	1,829,402
	<b>2,946,800</b>	2,659,088
Deficiency of revenue over expenses	<b>\$ (285,875)</b>	\$ (63,119)

As directed by the Board of Directors, the excess or deficiency of Easter Seals Fundraising Committee assessments over expenses for the year are added to or deducted from the net assets internally restricted for the Easter Seals Fundraising Committee.

During fiscal 2015, the Board of Directors internally restricted \$70,000 to the Fundraising Committee fund for the Make the First Five Count program. During the year, expenses incurred totalled \$24,065 (2016 - \$26,758). The balance of these internally restricted funds to be spent is \$19,177.

**8. ALLOCATION OF GENERAL SUPPORT EXPENDITURES**

During the year, rent expense totalled \$89,450 (2016 - \$71,164), of which \$44,725 (2016 - \$35,582), which represents 50%, was allocated to the Easter Seals Fundraising Committee.

**Easter Seals Canada**  
**Notes to Financial Statements**  
**March 31, 2017**

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**9. PROGRAM FUNDING INCOME**

	2017	2016
Access 2 Entertainment card	\$ 406,240	\$ 345,112
Access 2 Entertainment (Ontario Trillium Foundation)	-	40,311
	<b>\$ 406,240</b>	<b>\$ 385,423</b>

**10. COMMITMENTS**

The Organization is committed to the following annual rental payments for premises and photocopying equipment:

2018	\$ 90,500
2019	90,500
2020	92,752
2021	92,752
2022	1,973
	<b>\$ 368,477</b>

**11. FINANCIAL INSTRUMENTS**

**Credit Risk**

The Organization is exposed to credit risk on the accounts receivable.

**Liquidity Risk**

Liquidity risk is the risk that the Organization will not be able to meet its obligations as they fall due. The Organization has financial liabilities outstanding including accounts payable and accrued liabilities. The Organization manages liquidity risk through the use of a stabilization reserve as noted in note 1. It is expected these financial liabilities will be paid in the next fiscal year.

**Market Risk**

Market risk is the risk that changes in market prices will affect the Organization's surplus of revenue over expenses or the value of financial instruments. The Organization is subject to market risks on the portion of its long-term investments. These risks are generally outside the control of the Organization. The objective of the Organization is to mitigate market risk exposures within acceptable limits, while maximizing returns.

**Changes in Risk**

The Organization's risk exposures remain unchanged from the prior year.

**Easter Seals Canada**  
**Schedule of General and Programs Expense**  
**Year Ended March 31, 2017**

	2017	2016
<b>General</b>		
Salaries and employee benefits	\$ 320,333	\$ 318,300
Rent (Note 8)	44,725	35,582
Board of Directors	38,963	34,179
Executive Directors	31,478	21,120
Other general	23,770	20,476
Investment counsel fees	18,680	18,357
Professional fees	18,662	24,769
Office supplies, postage and delivery	10,552	5,840
Telephone and internet	7,943	5,704
Office equipment rental	7,659	5,617
Travel	7,309	8,905
Legal expense - trademarks	2,097	935
Other fundraising	1,596	1,300
	<b>\$ 533,767</b>	<b>\$ 501,084</b>
<b>Programs</b>		
Access 2 Entertainment program	\$ 202,251	\$ 196,362