

# **Easter Seals Canada**

**Financial Statements**

**For the Year Ended March 31, 2018**

## **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, 2018 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, 2018, 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.

*RSM Canada LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
June 21, 2018  
Toronto, Ontario

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**Easter Seals Canada**  
**Statement of Financial Position**  
**As at March 31, 2018**

	2018	2017
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 618,223	\$ 324,788
Accounts receivable	17,918	20,885
HST recoverable	29,678	52,861
Prepaid expenses	18,246	26,115
	<b>684,065</b>	<b>424,649</b>
Long-term investments (Note 2)	1,622,501	1,497,911
Property and equipment (Note 3)	11,171	15,871
	<b>\$ 2,317,737</b>	<b>\$ 1,938,431</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 116,970	\$ 138,871
Current portion of pension liability	-	6,600
	<b>116,970</b>	<b>145,471</b>
Pension liability	-	17,485
Deferred contributions (Note 5)	161,000	121,960
	<b>277,970</b>	<b>284,916</b>
<b>Net assets</b>		
Internally restricted for discretionary purposes	468,478	468,478
Internally restricted for stabilization reserve	470,000	470,000
Unrestricted net assets	1,101,289	715,037
	<b>2,039,767</b>	<b>1,653,515</b>
	<b>\$ 2,317,737</b>	<b>\$ 1,938,431</b>

**Commitments** (Note 9)

Approved by the Board

  
 \_\_\_\_\_  
 Director

  
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 Director

**Easter Seals Canada**  
**Statement of Changes in Net Assets**  
**Year Ended March 31, 2018**

	<b>March 31, 2018</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	\$ -	\$ -	\$ 470,000	\$ 715,037	\$ 1,653,515
Surplus of revenue over expenses	-	-	-	-	364,918	364,918
Reversal of pension liability	-	-	-	-	21,334	21,334
<b>Balance, end of year</b>	<b>\$ 468,478</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 470,000</b>	<b>\$ 1,101,289</b>	<b>\$ 2,039,767</b>

	<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 of revenue over expenses	-	-	-	-	12,691	12,691
Interfund transfer	-	427,078	(37,989)	-	(389,089)	-
Internal restrictions (Note 6)	-	(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>

**Easter Seals Canada**  
**Statement of Revenue and Expenses**  
**Year Ended March 31, 2018**

	2018	2017
<b>Revenue</b>		
Easter Seals Fundraising Committee (Note 6)	\$ 2,479,417	\$ 2,660,925
Program funding and cost recoveries (Note 8)	439,714	406,240
Assessments	414,024	414,024
Investment income (Note 2)	87,673	164,303
Donations	23,919	24,857
Bequests	-	20,017
Miscellaneous	7,138	5,143
	<b>3,451,885</b>	<b>3,695,509</b>
<b>Expenses</b>		
Corporate campaign disbursements to licensed members (Note 6)	1,782,270	1,916,891
General (schedule - page 12)	563,004	533,767
Easter Seals Fundraising Committee (Note 6)	555,468	1,029,909
Programs (schedule - page 12)	186,225	202,251
	<b>3,086,967</b>	<b>3,682,818</b>
<b>Surplus of revenue over expenses</b>	<b>\$ 364,918</b>	<b>\$ 12,691</b>

**Easter Seals Canada**  
**Statement of Cash Flows**  
**Year Ended March 31, 2018**

	2018	2017
<b>Cash provided by (used in)</b>		
<b>Operations</b>		
Surplus of revenue over expenses	\$ 364,918	\$ 12,691
Items not affecting cash		
Amortization	4,700	3,745
Realized gain on disposal of long-term investments (Note 2)	(53,474)	(58,252)
Change in unrealized gain on long-term investments (Note 2)	(29,797)	(57,633)
	<b>286,347</b>	<b>(99,449)</b>
Net change in working capital excluding cash		
Accounts receivable	2,967	16,806
HST recoverable	23,183	(17,956)
Prepaid expenses	7,869	2,710
Accounts payable and accrued liabilities	(21,901)	61,540
Deferred contributions	39,040	35,773
Pension liability	(2,751)	(6,600)
<b>Cash provided by (used in) operations</b>	<b>334,754</b>	<b>(7,176)</b>
<b>Investing</b>		
Purchase of property and equipment	-	(16,077)
Purchase of long-term investments	(1,450,326)	(1,187,721)
Proceeds from sale of long-term investments	1,409,007	1,200,592
<b>Cash provided by (used in) investing activities</b>	<b>(41,319)</b>	<b>(3,206)</b>
<b>Increase (decrease) in cash</b>	<b>293,435</b>	<b>(10,382)</b>
<b>Cash, beginning of year</b>	<b>324,788</b>	<b>335,170</b>
<b>Cash, end of year</b>	<b>\$ 618,223</b>	<b>\$ 324,788</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 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.

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

**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.

**2. INVESTMENTS**

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

	<b>2018</b>	<b>2017</b>
Closing portfolio - at cost	<b>\$ 1,459,674</b>	\$ 1,364,881
Unrealized gain on long-term investments	<b>162,827</b>	133,030
Closing portfolio - at fair value	<b>\$ 1,622,501</b>	\$ 1,497,911

**Easter Seals Canada**  
**Notes to Financial Statements**  
**March 31, 2018**

**2. INVESTMENTS (Cont'd)**

(b) Investment income is comprised of the following:

	<b>2018</b>	<b>2017</b>
Interest and dividend income	\$ 4,402	\$ 48,418
Realized gain on disposal of long-term investments	53,474	58,252
Change in unrealized gain on long-term investments	29,797	57,633
	<b>\$ 87,673</b>	<b>\$ 164,303</b>

**3. PROPERTY AND EQUIPMENT**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net 2018</b>	<b>Net 2017</b>
Computer hardware	\$ 7,915	\$ 7,845	\$ 70	\$ 1,404
Office furniture and equipment	12,012	3,507	8,505	11,006
Leasehold improvements	3,966	1,370	2,596	3,461
	<b>\$ 23,893</b>	<b>\$ 12,722</b>	<b>\$ 11,171</b>	<b>\$ 15,871</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, 2018 (4.2% - March 31, 2017), which consists of the bank's prime interest rate plus 1.50%. As at March 31, 2018, there was no outstanding balance against this line of credit.

**5. DEFERRED CONTRIBUTIONS**

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

	<b>2018</b>	<b>2017</b>
Deferred contributions, beginning of year	\$ 121,960	\$ 86,187
Add cash received:		
National corporate campaign fundraising (see 5 (c))	1,782,270	1,916,891
Program funding received	556,570	481,206
Externally restricted funds	-	10,000
Deduct amounts recognized in income:		
Corporate campaign disbursements to licensed members (Note 6)	(1,782,270)	(1,916,891)
Other disbursements	(517,530)	(455,433)
Deferred contributions, end of year	<b>\$ 161,000</b>	<b>\$ 121,960</b>

**Easter Seals Canada**  
**Notes to Financial Statements**  
**March 31, 2018**

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**5. DEFERRED CONTRIBUTIONS (Cont'd)**

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

	<b>2018</b>	2017
Externally restricted funds	<b>\$ 71,000</b>	\$ 71,000
Program funding	<b>90,000</b>	50,960
	<b>\$ 161,000</b>	\$ 121,960

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

	<b>2018</b>	2017
Friends of We Care	<b>\$ 1,184,114</b>	\$ 1,180,000
Century 21	<b>146,803</b>	134,162
The Bargain Shop	<b>130,017</b>	103,469
Other	<b>144,207</b>	122,257
Drop Zone	<b>90,319</b>	124,927
Booster Juice	<b>78,721</b>	65,000
Centum Tech 4 Kids	<b>8,089</b>	-
Safeway	-	171,127
Bag Programs	-	15,949
	<b>\$ 1,782,270</b>	\$ 1,916,891

**Easter Seals Canada**  
**Notes to Financial Statements**  
**March 31, 2018**

**6. EASTER SEALS FUNDRAISING COMMITTEE**

	2018	2017
<b>Revenue</b>		
Assessments to licensed members for administration	\$ 380,576	\$ 380,576
Special assessments (drop zone)	225,046	271,065
Special assessments (national ambassador program)	40,000	40,150
Special assessments (make the first five count)	25,000	25,000
Special assessments (paper egg)	10,799	14,137
Donations	15,726	5,929
Special assessments (feeding ability)	-	7,177
	<b>697,147</b>	744,034
Recognized corporate campaign fundraising (Note 5 (a))	<b>1,782,270</b>	1,916,891
	<b>2,479,417</b>	2,660,925
<b>Expenses</b>		
Event production	253,326	601,023
Salaries and benefits	217,858	299,058
Rent (Note 7)	23,784	44,725
Insurance	17,525	25,887
Program development	-	7,446
Paper egg supplies	9,520	13,950
Travel	1,673	6,462
Telephone	2,755	5,017
Other	13,485	9,649
Office supplies, postage and delivery	11,463	8,357
Office equipment rental	471	1,068
Committee	3,608	7,267
Total administration expenses	<b>555,468</b>	1,029,909
Corporate campaign disbursements to licensed members (Note 5 (a))	<b>1,782,270</b>	1,916,891
	<b>2,337,738</b>	2,946,800
Surplus (deficiency) of revenue over expenses	<b>\$ 141,679</b>	<b>\$ (285,875)</b>

**7. ALLOCATION OF GENERAL SUPPORT EXPENDITURES**

During the year, rent expense totalled \$92,171 (2017 - \$89,450), of which \$23,784 (2017 - \$44,725), which represents 25% (2017 - 50%), was allocated to the Easter Seals Fundraising Committee.

**8. PROGRAM FUNDING INCOME**

	2018	2017
Access 2 Entertainment card	\$ 439,714	\$ 406,240

**9. COMMITMENTS**

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

2019	\$	90,500
2020		92,752
2021		92,752
2022		1,973
		<hr/>
		\$ 277,977
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**10. 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.

**Easter Seals Canada**  
**Schedule of General and Programs Expense**  
**Year Ended March 31, 2018**

	2018	2017
<b>General</b>		
Salaries and employee benefits	\$ 364,292	\$ 320,333
Rent (Note 7)	46,904	44,725
Board of Directors	36,254	38,963
Executive Directors	31,257	31,478
Other general	21,017	23,770
Investment counsel fees	20,283	18,680
Professional fees	17,150	18,662
Office equipment rental	7,331	7,659
Travel	6,270	7,309
Telephone and internet	5,628	7,943
Legal expense - trademarks	2,703	2,097
Office supplies, postage and delivery	2,415	10,552
Other fundraising	1,500	1,596
	<b>\$ 563,004</b>	<b>\$ 533,767</b>
<b>Programs</b>		
Access 2 Entertainment program	\$ 186,225	\$ 202,251