

# **Easter Seals Canada**

**Financial Statements**

**For the Year Ended March 31, 2019**

## INDEPENDENT AUDITOR'S REPORT

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

#### *Opinion*

We have audited the financial statements of Easter Seals Canada (the Organization) which comprise the statement of financial position as at March 31, 2019 and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, 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.

#### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The annual report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is material misstatement of this other information, we are required to report that fact to these charged with governance.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*RSM Canada LLP*

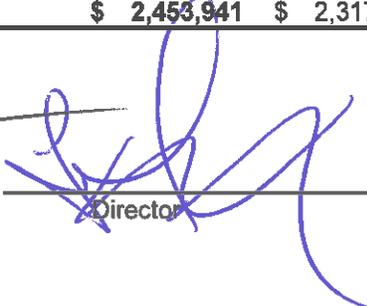
Chartered Professional Accountants  
Licensed Public Accountants  
July 15, 2019  
Toronto, Ontario

**Easter Seals Canada**  
**Statement of Financial Position**  
**As at March 31, 2019**

	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 704,352	\$ 618,223
Accounts receivable	27,371	17,918
HST recoverable	24,066	29,678
Prepaid expenses	21,435	18,246
	<b>777,224</b>	<b>684,065</b>
Long-term investments (Note 2)	1,655,805	1,622,501
Property and equipment (Note 3)	20,912	11,171
	<b>\$ 2,453,941</b>	<b>\$ 2,317,737</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 99,058	\$ 116,970
Deferred contributions (Note 5)	70,350	161,000
	<b>169,408</b>	<b>277,970</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	1,346,055	1,101,289
	<b>2,284,533</b>	<b>2,039,767</b>
	<b>\$ 2,453,941</b>	<b>\$ 2,317,737</b>

*Commitments* (Note 8)

Approved by the Board

  
 Director
   
 Director

**Easter Seals Canada**  
**Statement of Changes in Net Assets**  
**Year Ended March 31, 2019**

	March 31, 2019			
	<u>Internally Restricted for:</u>		<u>Unrestricted</u>	<u>Total</u>
	<u>Discretionary Purposes</u>	<u>Stabilization Reserve</u>		
Balance, beginning of year	\$ 468,478	\$ 470,000	\$ 1,101,289	\$ 2,039,767
Surplus of revenue over expenses	-	-	244,766	244,766
<b>Balance , end of year</b>	<b>\$ 468,478</b>	<b>\$ 470,000</b>	<b>\$ 1,346,055</b>	<b>\$ 2,284,533</b>

	March 31, 2018			
	<u>Internally Restricted for:</u>		<u>Unrestricted</u>	<u>Total</u>
	<u>Discretionary Purposes</u>	<u>Stabilization Reserve</u>		
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>\$ 470,000</b>	<b>\$ 1,101,289</b>	<b>\$ 2,039,767</b>

**Easter Seals Canada**  
**Statement of Revenue and Expenses**  
**Year Ended March 31, 2019**

	2019	2018
<b>Revenue</b>		
Easter Seals Fundraising Committee (Note 6)	\$ 2,367,431	\$ 2,479,417
Access 2 card	541,811	439,714
Assessments	414,024	414,024
Donations	102,608	23,919
Investment income (Note 2)	64,088	87,673
Miscellaneous	12,950	7,138
	<b>3,502,912</b>	<b>3,451,885</b>
<b>Expenses</b>		
Corporate campaign disbursements to licensed members (Note 6)	1,839,641	1,782,270
Easter Seals Fundraising Committee (Note 6)	637,330	555,468
General (schedule - page 11)	582,464	563,004
Access 2 card	198,711	186,225
	<b>3,258,146</b>	<b>3,086,967</b>
<b>Surplus of revenue over expenses</b>	<b>\$ 244,766</b>	<b>\$ 364,918</b>

**Easter Seals Canada**  
**Statement of Cash Flows**  
**Year Ended March 31, 2019**

	2019	2018
<b>Cash provided by (used in)</b>		
<b>Operations</b>		
Surplus of revenue over expenses	\$ 244,766	\$ 364,918
Items not affecting cash		
Amortization	5,072	4,700
Realized gain/loss on disposal of long-term investments (Note 2)	(20,611)	(53,474)
Change in unrealized gain/loss on long-term investments (Note 2)	46,145	(29,797)
	<b>275,372</b>	<b>286,347</b>
Net change in working capital excluding cash		
Accounts receivable	(9,453)	2,967
HST recoverable	5,612	23,183
Prepaid expenses	(3,189)	7,869
Accounts payable and accrued liabilities	(17,912)	(21,901)
Deferred contributions	(90,650)	39,040
Pension liability	-	(2,751)
<b>Cash provided by operations</b>	<b>159,780</b>	<b>334,754</b>
<b>Investing</b>		
Purchase of property and equipment	(14,813)	-
Purchase of long-term investments	(1,070,030)	(1,450,326)
Proceeds from sale of long-term investments	1,011,192	1,409,007
<b>Cash used in investing activities</b>	<b>(73,651)</b>	<b>(41,319)</b>
<b>Increase (decrease) in cash</b>	<b>86,129</b>	<b>293,435</b>
<b>Cash, beginning of year</b>	<b>618,223</b>	<b>324,788</b>
<b>Cash, end of year</b>	<b>\$ 704,352</b>	<b>\$ 618,223</b>

## **PURPOSE OF ORGANIZATION**

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

The Organization 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.
- (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.

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

**Revenue Recognition (Cont'd)**

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**

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.

**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.

**Easter Seals Canada**  
**Notes to Financial Statements**  
**March 31, 2019**

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

**Financial Instruments (Cont'd)**

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 a 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 a 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>2019</b>	<b>2018</b>
Closing portfolio - at cost	\$ 1,539,123	\$ 1,459,674
Unrealized gain on long-term investments	116,682	162,827
Closing portfolio - at fair value	<b>\$ 1,655,805</b>	<b>\$ 1,622,501</b>

(b) Investment income is comprised of the following:

	<b>2019</b>	<b>2018</b>
Interest and dividend income	\$ 89,622	\$ 4,402
Realized gain on disposal of long-term investments	20,611	53,474
Change in unrealized gain on long-term investments	(46,145)	29,797
	<b>\$ 64,088</b>	<b>\$ 87,673</b>

**3. PROPERTY AND EQUIPMENT**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net 2019</b>	<b>Net 2018</b>
Computer hardware	\$ 18,257	\$ 9,149	\$ 9,108	\$ 70
Office furniture and equipment	16,482	6,409	10,073	8,505
Leasehold improvements	3,967	2,236	1,731	2,596
	<b>\$ 38,706</b>	<b>\$ 17,794</b>	<b>\$ 20,912</b>	<b>\$ 11,171</b>

**Easter Seals Canada**  
**Notes to Financial Statements**  
**March 31, 2019**

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**4. BANK INDEBTEDNESS**

The Organization has arranged a \$100,000 unsecured operating line of credit, bearing interest at the bank's prime interest rate plus 1.50%. As at March 31, 2019, there was no outstanding balance against this line of credit.

**5. DEFERRED CONTRIBUTIONS**

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

	<b>2019</b>	<b>2018</b>
Deferred contributions, beginning of year	\$ 161,000	\$ 121,960
Add cash received:		
National corporate campaign fundraising (see 5 (c))	1,839,641	1,782,270
Program funding received	542,630	556,570
Deduct amounts recognized in income:		
Corporate campaign disbursements to licensed members (Note 6)	(1,839,641)	(1,782,270)
Other disbursements	(562,280)	(517,530)
Externally restricted funds	(71,000)	-
<b>Deferred contributions, end of year</b>	<b>\$ 70,350</b>	<b>\$ 161,000</b>

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

	<b>2019</b>	<b>2018</b>
Externally restricted funds	\$ -	\$ 71,000
Program funding	70,350	90,000
	<b>\$ 70,350</b>	<b>\$ 161,000</b>

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

	<b>2019</b>	<b>2018</b>
Friends of We Care	\$ 1,202,391	\$ 1,184,114
RBC 21st Century Leadership	175,000	-
Other	124,891	144,207
Century 21	104,758	146,803
CIBC AccessABILITY	75,000	-
Booster Juice	60,000	78,721
Drop Zone	48,843	90,319
Amway	47,000	-
Centum Tech 4 Kids	1,758	8,089
The Bargain Shop	-	130,017
	<b>\$ 1,839,641</b>	<b>\$ 1,782,270</b>

**Easter Seals Canada**  
**Notes to Financial Statements**  
**March 31, 2019**

**6. EASTER SEALS FUNDRAISING COMMITTEE**

	2019	2018
<b>Revenue</b>		
Assessments to licensed members for administration	\$ 318,434	\$ 380,576
Special assessments (drop zone)	138,500	225,046
Special assessments (national ambassador program)	40,000	40,000
Donations	16,110	15,726
Special assessments (paper egg)	14,746	10,799
Special assessments (make the first five count)	-	25,000
	<b>527,790</b>	697,147
Recognized corporate campaign fundraising (Note 5 (a))	<b>1,839,641</b>	1,782,270
	<b>2,367,431</b>	2,479,417
<b>Expenses</b>		
Event production	311,698	253,326
Salaries and benefits	236,125	217,858
Rent (Note 7)	22,898	23,784
Office supplies, postage and delivery	17,394	11,463
Paper egg supplies	14,807	9,520
Insurance	14,760	17,525
Other	9,528	13,485
Travel	5,191	1,673
Committee	3,826	3,608
Telephone	969	2,755
Office equipment rental	134	471
Total administration expenses	<b>637,330</b>	555,468
Corporate campaign disbursements to licensed members (Note 5 (a))	<b>1,839,641</b>	1,782,270
	<b>2,476,971</b>	2,337,738
Surplus (deficiency) of revenue over expenses	<b>\$ (109,540)</b>	\$ 141,679

**7. ALLOCATION OF GENERAL SUPPORT EXPENDITURES**

During the year, rent expense totalled \$98,141 (2018 - \$92,171), of which \$22,898 (2018 - \$23,784), which represents 25% (2018 - 25%), was allocated to the Easter Seals Fundraising Committee and 25% (2018 - 25%) was allocated to the Access 2 Entertainment Program.

**8. COMMITMENTS**

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

2020	\$ 92,752
2021	92,752
2022	1,973
	<b>\$ 187,477</b>

**9. FINANCIAL INSTRUMENTS**

**Credit Risk**

The Organization is exposed to credit risk on its accounts receivable. Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Organization monitors credit risk by assessing the credit worthiness of counterparties.

**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 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 Expense**  
**Year Ended March 31, 2019**

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	2019	2018
<b>General</b>		
Salaries and employee benefits	\$ 370,003	\$ 364,292
Rent (Note 7)	52,345	46,904
Executive Directors	32,370	31,257
Board of Directors	32,334	36,254
Investment counsel fees	20,966	20,283
Other general	19,569	21,017
Professional fees	17,670	17,150
Travel	9,551	6,270
Telephone and internet	7,991	5,628
Office equipment rental	7,740	7,331
Legal expense - trademarks	5,530	2,703
Office supplies, postage and delivery	4,631	2,415
Other fundraising	1,764	1,500
	<b>\$ 582,464</b>	<b>\$ 563,004</b>

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