

Easter Seals Canada

Financial Statements

For the Year Ended March 31, 2020



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, 2020 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, 2020, and 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 and will not express any form of assurance 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 those charged with governance.

Responsibilities of Management 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.

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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.

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
June 30, 2020
Toronto, Ontario

Easter Seals Canada
Statement of Financial Position
As at March 31, 2020

	2020	2019
Assets		
Current		
Cash	\$ 867,699	\$ 704,352
Accounts receivable	36,900	27,371
HST recoverable	19,102	24,066
Prepaid expenses	19,363	21,435
	943,064	777,224
Long-term investments (Note 2)	1,518,031	1,655,805
Property and equipment (Note 3)	17,794	20,912
	\$ 2,478,889	\$ 2,453,941
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 105,410	\$ 99,058
Deferred contributions (Note 5)	-	70,350
	105,410	169,408
Net assets		
Internally restricted for discretionary purposes	468,478	468,478
Internally restricted for stabilization reserve	640,000	470,000
Unrestricted net assets	1,265,001	1,346,055
	2,373,479	2,284,533
	\$ 2,478,889	\$ 2,453,941

Commitments (Note 8)
COVID-19 (Note 10)

Approved by the Board




Director
Director

Easter Seals Canada
Statement of Changes in Net Assets
Year Ended March 31, 2020

	<u>March 31, 2020</u>			
	<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	\$ 1,346,055	\$ 2,284,533
Surplus of revenue over expenses	-	-	88,946	88,946
Transfer to stabilization reserve	-	170,000	(170,000)	-
Balance , end of year	\$ 468,478	\$ 640,000	\$ 1,265,001	\$ 2,373,479

	<u>March 31, 2019</u>			
	<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
Balance , end of year	\$ 468,478	\$ 470,000	\$ 1,346,055	\$ 2,284,533

Easter Seals Canada
Statement of Revenue and Expenses
Year Ended March 31, 2020

	2020	2019
Revenue		
National corporate campaign fundraising (Note 6)	\$ 2,451,631	\$ 2,367,431
Access 2 Entertainment card	595,261	541,811
Assessments	414,024	414,024
Donations	41,368	102,608
Miscellaneous	16,400	12,950
Investment (loss) income (Note 2)	(99,807)	64,088
	3,418,877	3,502,912
Expenses		
Corporate campaign disbursements to licensed members (Note 6)	1,883,053	1,839,641
General (schedule - page 13)	645,591	582,464
Easter Seals Fundraising Committee (Note 6)	556,798	637,330
Access 2 Entertainment card	244,489	198,711
	3,329,931	3,258,146
Surplus of revenue over expenses	\$ 88,946	\$ 244,766

Easter Seals Canada
Statement of Cash Flows
Year Ended March 31, 2020

	2020	2019
Cash provided by (used in)		
Operations		
Surplus of revenue over expenses	\$ 88,946	\$ 244,766
Items not affecting cash		
Amortization	8,806	5,072
Realized gain/loss on disposal of long-term investments (Note 2)	85,785	(20,611)
Change in unrealized gain/loss on long-term investments (Note 2)	73,215	46,145
	256,752	275,372
Net change in working capital excluding cash		
Accounts receivable	(9,529)	(9,453)
HST recoverable	4,964	5,612
Prepaid expenses	2,072	(3,189)
Accounts payable and accrued liabilities	6,352	(17,912)
Deferred contributions	(70,350)	(90,650)
	190,261	159,780
Investing		
Purchase of property and equipment	(5,688)	(14,813)
Purchase of long-term investments	(1,099,489)	(1,070,030)
Proceeds from sale of long-term investments	1,078,263	1,011,192
	(26,914)	(73,651)
Increase in cash	163,347	86,129
Cash, beginning of year	704,352	618,223
Cash, end of year	\$ 867,699	\$ 704,352

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

On April 1, 2019, the Association adopted the new accounting standards for tangible capital and intangible assets held by not-for-profit organizations. As a result, when conditions indicate a tangible capital or intangible asset is impaired, it will be written down to its fair value or replacement cost, with the write-down recorded as an expense. Write-downs will not be reversed.

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.

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:

	2020	2019
Closing portfolio - at cost	\$ 1,474,564	\$ 1,539,123
Unrealized gain on long-term investments	43,467	116,682
Closing portfolio - at fair value	\$ 1,518,031	\$ 1,655,805

(b) Investment income (loss) is comprised of the following:

	2020	2019
Interest and dividend income	\$ 59,193	\$ 89,622
Realized gain (loss) on disposal of long-term investments	(85,785)	20,611
Change in unrealized gain (loss) on long-term investments	(73,215)	(46,145)
	\$ (99,807)	\$ 64,088

3. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net 2020	Net 2019
Computer hardware	\$ 23,945	\$ 14,658	\$ 9,287	\$ 9,108
Office furniture and equipment	16,482	8,841	7,641	10,073
Leasehold improvements	3,967	3,101	866	1,731
	\$ 44,394	\$ 26,600	\$ 17,794	\$ 20,912

Easter Seals Canada
Notes to Financial Statements
March 31, 2020

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, 2020, there was no outstanding balance against this line of credit.

5. DEFERRED CONTRIBUTIONS

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

	2020	2019
Deferred contributions, beginning of year	\$ 70,350	\$ 161,000
Add cash received:		
National corporate campaign fundraising (see 5 (c))	1,883,053	1,839,641
Program funding received	581,484	542,630
Deduct amounts recognized in income:		
Corporate campaign disbursements to licensed members (Note 6)	(1,883,053)	(1,839,641)
Other disbursements	(651,834)	(562,280)
Externally restricted funds	-	(71,000)
Deferred contributions, end of year	\$ -	\$ 70,350

(b) Deferred contributions at the end of 2019 related to program funding.

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

	2020	2019
Friends of We Care	\$ 1,275,385	\$ 1,202,391
Other	203,124	124,891
RBC 21st Century Leadership	176,730	175,000
Century 21	104,736	104,758
Booster Juice	69,000	60,000
CIBC AccessABILITY	25,000	75,000
Amway	25,000	47,000
Centum Tech 4 Kids	2,867	1,758
Drop Zone	1,211	48,843
	\$ 1,883,053	\$ 1,839,641

Easter Seals Canada
Notes to Financial Statements
March 31, 2020

6. EASTER SEALS FUNDRAISING COMMITTEE

	2020	2019
Revenue		
Assessments to licensed members for administration	\$ 363,299	\$ 318,434
Special assessments (Drop Zone)	108,500	138,500
Special assessments (Community Conference)	40,180	-
Special assessments (RBC 21st Century Leadership)	24,730	-
Donations	21,969	16,110
Special assessments (Paper Egg)	9,900	14,746
Special assessments (National Ambassador Program)	-	40,000
	568,578	527,790
Recognized corporate campaign fundraising (Note 5 (a))	1,883,053	1,839,641
	2,451,631	2,367,431
Expenses		
Event production	241,548	311,698
Salaries and benefits	235,781	236,125
Rent (Note 7)	24,174	22,898
Insurance	13,658	14,760
Office supplies, postage and delivery	10,521	17,394
Paper egg supplies	9,913	14,807
Other	9,783	9,528
Travel	5,145	5,191
Committee	3,204	3,826
Telephone	2,232	969
Office equipment rental	839	134
Total administration expenses	556,798	637,330
Corporate campaign disbursements to licensed members (Note 5 (a))	1,883,053	1,839,641
	2,439,851	2,476,971
Surplus (deficiency) of revenue over expenses	\$ 11,780	\$ (109,540)

7. ALLOCATION OF GENERAL SUPPORT EXPENDITURES

During the year, rent expense totalled \$103,244 (2019 - \$98,141), of which \$24,174 (2019 - \$22,898), which represents 23% (2019 - 25%), was allocated to the Easter Seals Fundraising Committee and 23% (2019 - 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:

2021	\$ 92,752
2022	1,973
	\$ 94,725

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.

10. COVID-19

On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic. An emergency was declared across Canada with respect to COVID-19. As of the date of these financial statements, the extent to which COVID-19 impacts the Organization's results will depend on future developments, which are highly uncertain and cannot be predicted and dependent upon new information which may emerge concerning the severity of COVID-19 and actions taken to contain this or its impact, among others.

Easter Seals Canada
Schedule of General Expense
Year Ended March 31, 2020

	2020	2019
General		
Salaries and employee benefits	\$ 447,357	\$ 370,003
Rent (Note 7)	54,896	52,345
Executive Directors	26,566	32,370
Board of Directors	23,939	32,334
Investment counsel fees	21,957	20,966
Other general	21,395	19,569
Professional fees	18,190	17,670
Telephone and internet	9,858	7,991
Office equipment rental	7,614	7,740
Travel	7,192	9,551
Office supplies, postage and delivery	3,335	4,631
Legal expense - trademarks	1,792	5,530
Other fundraising	1,500	1,764
	\$ 645,591	\$ 582,464