

Easter Seals Nova Scotia

Consolidated Financial Statements
March 31, 2016



May 31, 2016

Independent Auditor's Report

To the Directors of Easter Seals Nova Scotia

We have audited the accompanying consolidated financial statements of **Easter Seals Nova Scotia** ("Easter Seals") and its subsidiary, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of changes in net assets, revenue and expenditures and cash flows for the year then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers LLP
Summit Place, 1601 Lower Water Street, Suite 400, Halifax, Nova Scotia, Canada B3J 3P6
T: +1 902 491 7400, F: +1 902 422 1166*

**Basis for qualified opinion**

In common with many charitable organizations, Easter Seals derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Easter Seals. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of expenditures over revenue and cash flows from operations for the year ended March 31, 2016 and March 31, 2015, current assets as at March 31, 2016 and March 31, 2015 and the General Fund balance as at April 1 and March 31 for both March 31, 2016 and March 31, 2015 years. Our audit opinion on the consolidated financial statements for the year ended March 31, 2015 was modified because of the possible effect of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Easter Seals and its subsidiary as at March 31, 2016 and the results of their operations and their cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Accountants

Easter Seals Nova Scotia

Consolidated Statement of Financial Position

As at March 31, 2016

	General fund \$	Reserve fund \$	2016 Total \$	2015 Total \$
Assets				
Current assets				
Cash (notes 8 and 9)	46,796	3,228	50,024	30,462
Accounts receivable	455,235	–	455,235	366,012
Due from the Reserve Fund	3,987	–	3,987	5,137
Inventory	14,529	–	14,529	16,540
Prepaid expenses	46,294	–	46,294	41,363
Marketable securities – Wheelchair Recycling Program, at market (note 10)	327,405	–	327,405	285,632
	894,246	3,228	897,474	745,146
Portfolio investments – at market value (notes 2(f), 3, 5 and 9)	5,000	232,064	237,064	226,729
Property, plant and equipment (note 4)	3,678	–	3,678	7,596
	902,924	235,292	1,138,216	979,471
Liabilities and fund balance				
Current liabilities				
Bank indebtedness (note 5)	194,295	–	194,295	176,493
Accounts payables and accrued liabilities	549,495	–	549,495	433,894
Due to the General Fund	–	3,987	3,987	5,137
Deferred revenue (note 6)	62,261	–	62,261	38,301
Wheelchair Recycling Program (note 10)	327,405	–	327,405	285,632
Term debt (note 13)	–	–	–	100,000
	1,133,456	3,987	1,137,443	1,039,457
Camp Tidnish Fund (note 8)	21,682	–	21,682	13,092
Elizabeth & Forest Fyfe Award Fund (note 9)	5,120	–	5,120	5,275
	1,160,258	3,987	1,164,245	1,057,824
Net Assets				
Investment in property, plant and equipment	2,758	–	2,758	(75,522)
Unrestricted – General Fund	(260,092)	–	(260,092)	(233,801)
Internally restricted – Reserve Fund	–	231,305	231,305	230,970
	(257,334)	231,305	(26,029)	(78,353)
	902,924	235,292	1,138,216	979,471
Commitments (note 14)				

Approved by the Board of Directors

Director

Director

The accompanying notes are an integral part of these consolidated financial statements.

Easter Seals Nova Scotia

Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2016

	Investment in property, plant and equipment \$	Unrestricted – General Fund \$	Internally restricted – Reserve Fund \$	Total \$
Net assets – March 31, 2015	<u>(75,522)</u>	<u>(233,801)</u>	<u>230,970</u>	<u>(78,353)</u>
Excess of revenue over expenditures (expenditures over revenue) and change in fair value of investments for the year	(3,918)	50,527	5,715	52,324
Transfer of Reserve Fund investment income, net of expenses	–	5,380	(5,380)	–
Net change in term debt and bank indebtedness	<u>82,198</u>	<u>(82,198)</u>	<u>–</u>	<u>–</u>
Net assets – March 31, 2016	<u>2,758</u>	<u>(260,092)</u>	<u>231,305</u>	<u>(26,029)</u>

The accompanying notes are an integral part of these consolidated financial statements.

Easter Seals Nova Scotia

Consolidated Statement of Revenue and Expenditures

For the year ended March 31, 2016

	General Fund \$	Reserve Fund \$	2016 Total \$	2015 Total \$
Revenue				
Special events	188,622	—	188,622	273,913
Campaigns	364,748	—	364,748	324,480
Planned Giving	51,534	—	51,534	5,177
Camp Tidnish	171,034	—	171,034	167,246
Take PART	10,227	—	10,227	2,793
New Leaf Enterprises	920,036	—	920,036	910,114
Community Client Services and Polio Support	340	—	340	315
Wheelchair Recycling Program (note 10)	1,598,153	—	1,598,153	1,529,474
Assistive Devices	10,708	—	10,708	13,280
Investment income	6	5,380	5,386	7,226
Other income	430	—	430	520
	<u>3,315,838</u>	<u>5,380</u>	<u>3,321,218</u>	<u>3,234,538</u>
Expenditures				
Administration	64,294	—	64,294	69,645
Programs				
Assistive Devices	61,989	—	61,989	48,592
Camp Tidnish	281,864	—	281,864	219,924
Community Client Services and Polio Support	15,611	—	15,611	15,397
Wheelchair Recycling Program (note 10)	1,598,153	—	1,598,153	1,529,474
Take PART	37,962	—	37,962	30,248
New Leaf Enterprises	886,424	—	886,424	854,421
Development	242,011	—	242,011	292,522
Fund-raising (Easter Seals, Easter Seals Drop Zone, Kartbahn 250, Easter Seals Gala and Easter Seals Month Events)	80,026	—	80,026	100,026
Other amortization	895	—	895	975
	<u>3,269,229</u>	<u>—</u>	<u>3,269,229</u>	<u>3,161,224</u>
Excess of revenue over expenditures before change in fair value of investments	46,609	5,380	51,989	73,314
Net change in realized and unrealized gain (loss) on investments	—	335	335	(306)
Excess of revenue over expenditures and change in fair value of investments for the year	<u>46,609</u>	<u>5,715</u>	<u>52,324</u>	<u>73,008</u>

The accompanying notes are an integral part of these consolidated financial statements.

Easter Seals Nova Scotia
Consolidated Statement of Cash Flows
For the year ended March 31, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures and change in fair value of investments for the year	52,324	73,008
Charges (credits) to operations not involving cash		
Amortization of property, plant and equipment	3,918	6,003
Amortization of deferred contributions	–	(391)
Change in unrealized loss on investments	(335)	306
	<hr/> 55,907	<hr/> 78,926
Net change in non-cash working capital balances related to operations		
Decrease (increase) in accounts receivable	(89,223)	69,852
Decrease (increase) in inventory	2,011	788
Decrease (increase) in prepaid expenses	(4,931)	1,122
Increase (decrease) in accounts payable and accrued liabilities	115,601	(94,724)
Increase (decrease) in deferred revenue	23,960	(11,585)
	<hr/> 103,325	<hr/> 44,379
Financing activities		
Increase (decrease) in bank indebtedness	17,802	(17,107)
Repayment of term debt	(100,000)	(50,000)
	<hr/> (82,198)	<hr/> (67,107)
Investing activities		
Decrease (increase) in portfolio investments – net	(10,000)	9,250
Increase in Camp Tidnish Fund	8,590	4,891
Decrease (increase) in Elizabeth & Forest Fyfe Award Fund	(155)	98
	<hr/> (1,565)	<hr/> 14,239
Net change in cash during the year	19,562	(8,489)
Cash – Beginning of year	<hr/> 30,462	<hr/> 38,951
Cash – End of year	<hr/> <hr/> 50,024	<hr/> <hr/> 30,462

The accompanying notes are an integral part of these consolidated financial statements.

Easter Seals Nova Scotia

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

1 Nature of operations

Easter Seals Nova Scotia (“Easter Seals”) (formerly known as Abilities Foundation of Nova Scotia) is a not-for-profit body incorporated under the Societies Act of Nova Scotia and is exempt from income tax under section 149 (I)(L) of the Income Tax Act. Easter Seals mandate is to advocate for a barrier-free Nova Scotia and provide top-quality programs promoting inclusion, independence and mobility for Nova Scotians with disabilities.

2 Significant accounting policies

a) Basis of presentation

These consolidated financial statements have been prepared in accordance with the Canadian accounting standards for not-for-profit organizations (“ASNPO”) (Part III of the CPA Handbook) as issued by the Canadian Accounting Standards Board.

b) Revenue recognition

Easter Seals follows the deferral method of accounting for contributions, which include government grants. Contributions and income related to future periods are recorded as deferred revenue and are only recognized as revenue when earned.

Unrestricted contributions are recognized as revenue when received or receivable to the extent that amounts to be received can be reasonably estimated and collection is reasonably assured.

Income from investments includes dividend and interest income. Investment income is recognized as revenue when earned.

c) Consolidation

The consolidated financial statements include the accounts of Easter Seals and its wholly owned subsidiary New Leaf Enterprises.

Inter-company transactions and balances have been eliminated from the consolidated accounts.

d) Donated and volunteer services

Donated services by corporate contributors, where the value of the services can be estimated, are recorded as revenue in the period in which the service is provided.

Due to the difficulty in determining the value of volunteer services, these donated services are not recorded in these consolidated financial statements.

Easter Seals Nova Scotia
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

2 Significant accounting policies (continued)

e) Property, plant and equipment

Purchased property, plant and equipment are recorded at cost and contributed property, plant and equipment are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the assets, after taking into account estimated salvage values, at the following rates:

Equipment and vehicles	5 years
Computers	3 years
Furniture	10 years
Leasehold improvements	9 years

Deferred contributions related to property, plant and equipment are amortized to income on the same basis as the assets to which they are related to are amortized.

f) Reserve Fund

The Board of Directors of Easter Seals has established financial reserves to assist in the long-term funding and stability of the organization and its programs. The objective of the Reserve Fund is the maintenance and growth of financial reserves over time to a minimum level equivalent to one half of normalized annual revenues.

Earned income from the reserves shall go to general operating revenues to support the work of Easter Seals. Approval of the Board of Directors shall be required to authorize any use of the reserve principal portion, after considering the recommendation of the Executive Committee. In 2013, the Board of Directors approved the redemption of \$260,000 of investments, with the resulting cash being transferred to the General Fund. For the years ended March 31, 2016, 2015 and 2014 no transfers have been made to the General Fund.

Investment income earned on Reserve Fund investments is transferred to the General Fund. Reserve Fund assets as at March 31, 2016 include cash of \$3,228 (2015 - \$14,378), accrued interest receivable of \$nil (2015 - \$nil) and portfolio investments of \$232,064 (2015 - \$221,729).

g) Management estimates

ASNPO require management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from these estimates.

h) Financial instruments

Fair market value

Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Easter Seals Nova Scotia

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

2 Significant accounting policies (continued)

i) Allocation of expenses

Easter Seals engages in several programs. The cost of each program includes the cost of personnel, premises and other expenses that are directly related to providing the programs. Easter Seals also incurs a number of general support expenses common to the administration of Easter Seals and each of its programs. Easter Seals allocates certain of its general support expenses by identifying the appropriate basis of allocating each component expense and applies that basis consistently each year.

3 Investments

	2016		2015	
	Cost \$	Market value \$	Cost \$	Market value \$
Fixed income securities				
General Fund	5,000	5,000	5,000	5,000
Reserve Fund	230,750	232,064	220,750	221,729
	<u>235,750</u>	<u>237,064</u>	<u>225,750</u>	<u>226,729</u>

4 Property, plant and equipment

	2016		
	Cost \$	Accumulated amortization \$	Net \$
Equipment	53,805	52,127	1,678
Vehicles	100,667	98,667	2,000
Computers	68,839	68,839	—
Furniture	23,350	23,350	—
Leasehold improvements	62,007	62,007	—
	<u>308,668</u>	<u>304,990</u>	<u>3,678</u>
	2015		
	Cost \$	Accumulated amortization \$	Net \$
Equipment	53,805	51,007	2,798
Vehicles	100,667	95,869	4,798
Computers	68,839	68,839	—
Furniture	23,350	23,350	—
Leasehold improvements	62,007	62,007	—
	<u>308,668</u>	<u>301,072</u>	<u>7,596</u>

Easter Seals Nova Scotia

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

5 Bank indebtedness

Easter Seals has provided \$225,000 of the portfolio investments and cash of Easter Seals' Reserve Fund as collateral to secure a line of credit which has an authorized credit limit of \$225,000, bearing interest at bank prime plus 1%.

6 Deferred revenue

Easter Seals follows the deferral method of revenue recognition. Deferred revenue reported in the General Fund represents restricted operating funding received in the current period that is related to subsequent periods. Changes in the deferred revenue balance are as follows:

	2016 \$	2015 \$
Balance – Beginning of year	38,301	49,886
Amount recognized as revenue in the year	(38,301)	(49,886)
Amounts received related to subsequent periods	62,261	38,301
Balance – End of year	<u>62,261</u>	<u>38,301</u>

7 Deferred contributions related to property, plant and equipment

Deferred contributions related to property, plant and equipment represent restricted contributions for the purchase of a vehicle and other smaller pieces of equipment. The changes in the deferred contributions balance for the year are as follows:

	2016 \$	2015 \$
Balance – Beginning of year	–	391
Amounts amortized to revenue	–	(391)
Balance – End of year	<u>–</u>	<u>–</u>

8 Camp Tidnish Fund

Easter Seals and the Amherst Rotary Club signed an agreement on January 12, 2015, whereby each party agreed to make an annual contribution of \$5,000 to a Capital Fund (the "Fund"). The Funds are to be used for the annual costs of major maintenance and capital expenditures of Camp Tidnish. The continuity of the Fund is as follows:

	2016 \$	2015 \$
Balance – Beginning of year	13,092	8,201
Contributions	10,000	10,000
Expenditures	(1,421)	(5,121)
Interest income	11	12
Balance – End of year	<u>21,682</u>	<u>13,092</u>

As a result, \$21,682 (2015 - \$13,092) of cash in the General Fund is restricted from general use by Easter Seals.

Easter Seals Nova Scotia

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

9 Elizabeth & Forest Fyfe Award Fund

During the 1999 fiscal year, Easter Seals received \$5,000 to establish the Elizabeth & Forest Fyfe Award Fund. The initial funding was invested with the annual earnings used to provide an annual award, which recognizes the outstanding achievement or potential achievement of a student in Nova Scotia functioning with a physical disability. Award value given during the fiscal year ended March 31, 2016 was \$250 (2015 - \$nil).

	2016	2015
	\$	\$
Fund balance	5,120	5,275

\$120 (2015 - \$275) of cash and accounts receivable and \$5,000 (2015 - \$5,000) of portfolio investments in the General Fund are restricted from general use by Easter Seals.

10 Wheelchair Recycling Program

The Nova Scotia Wheelchair Recycling Program (the “Program”), funded by the Department of Community Services and administered by Easter Seals, was initiated after demonstration projects were carried out over five years. The Nova Scotia government approved in 2010 the Program funding on a permanent basis and confirmed Easter Seals as the Program administrator. The Program provides wheelchair purchase cost funding for uninsured Nova Scotia residents living with a disability who are under the age of 65 years. They must hold a valid Nova Scotia Health Insurance Card, be referred to the Program by a Health Care Professional and have family income that is within the Program guidelines. Accounts receivable in the General Fund includes \$287,299 (2015 - \$275,934) of \$327,405 (2015 - \$285,632) funding included in deferred revenue.

During the year, the Program earned revenue and incurred expenses of \$1,598,153 (2015 - \$1,529,474) and received additional funding of \$1,550,000 (2015 - \$1,550,000) and earned investment income, which was re-invested in the Program, of \$3,392 (2015 - \$6,408).

11 Capital management

Easter Seals defines capital as its net assets. Currently, Easter Seals has no defined targets for net assets and operates under the culture of a balanced budget, with goals of modest surplus to build capital.

Easter Seals Nova Scotia
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

12 Salary and payroll expenses

Salary and payroll expenses of \$923,420 (2015 - \$886,360) have been allocated as follows:

	2016	2015
	\$	\$
Administration	23,991	23,790
Assistive Devices	5,349	5,346
Camp Tidnish	65,934	65,879
Community Client Services	3,068	2,307
Development	169,280	158,959
New Leaf Enterprises	483,268	460,521
Polio Nova Scotia	5,040	5,702
Take PART	11,927	12,975
Wheelchair Recycling Program	155,563	150,881
	<u>923,420</u>	<u>886,360</u>

13 Term debt

	2016	2015
	\$	\$
Loan payable, bearing interest at prime plus 1%, payable in three instalments commencing on April 11, 2015.	<u>—</u>	<u>100,000</u>

The Company obtained a loan of \$150,000 from Easter Seals Canada during the year ended March 31, 2014. The loan bears interest at prime plus 1%, payable in three equal instalments of \$50,000. First payment paid March 27, 2015, remaining payments paid December 1, 2015 and March 31, 2016.

14 Commitments

Lease of premises

The minimum annual lease payments for the premises occupied by Easter Seals are \$76,200 per year plus common area charges. The lease is for a 3.5-year period ending on September 30, 2017.

	\$
Year ending March 31, 2017	76,200
2018	31,750

Lease of office equipment

The minimum annual lease payment for office equipment in the next five years are:

	\$
Year ending March 31, 2017	16,130
2018	16,130
2019	4,384
2020	4,384
2021	2,192

Easter Seals Nova Scotia

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

15 Government remittances

Government remittances consist of amounts (such as sales taxes and payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, \$24,463 (2015 - \$25,341) is included within accounts payable and accrued liabilities.

16 Financial instruments and risk management

Senior management of Easter Seals are responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

i) Fair value of financial instruments

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term to maturity.

ii) Risk management

Easter Seals, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk and liquidity risk. Management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

Management believes Easter Seals is exposed to normal credit risk with respect to its accounts receivable. Provisions are maintained for potential credit losses and no such losses have been recognized to date. Management believes Easter Seals is not exposed to significant credit risk from any one customer and no provision for doubtful accounts has been recorded for the year ended March 31, 2016 and March 31, 2015.

Management believes Easter Seals has no significant liquidity risk as its assets are highly liquid in nature.

17 Fundraising revenue recognition

Due to Easter occurring in mid-April 2014, revenues for the Mic Mac Mall Bunnyland and the Paper Egg campaign which were included in the fiscal 2014 budget were not earned or received until fiscal 2015. As such, \$12,745 of revenue relating to Bunnyland and \$43,790 relating to Paper Eggs was not recognized in the year ended March 31, 2014, but instead were recognized in revenue during the year ended March 31, 2015.