# Easter Seals Nova Scotia

Consolidated Financial Statements
**March 31, 2014**

May 27, 2014

## 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, 2014 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 qualified audit opinion.

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**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, 2014 and March 31, 2013, current assets as at March 31, 2014 and March 31, 2013 and the General Fund balance as at April 1 and March 31 for both March 31, 2014 and March 31, 2013 years. Our audit opinion on the consolidated financial statements for the year ended March 31, 2013 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, 2014 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, 2014**

| | General fund $ | Reserve fund $ | 2014 Total $ | 2013 Total $ |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash (notes 8 and 9) | 33,823 | 5,128 | 38,951 | 7,317 |
| Accounts receivable | 435,864 | – | 435,864 | 261,678 |
| Due from the Reserve Fund | 5,137 | – | 5,137 | 5,143 |
| Inventory | 17,328 | – | 17,328 | 14,330 |
| Prepaid expenses | 42,485 | – | 42,485 | 44,079 |
| Marketable securities – Wheelchair Recycling Program, at market (note 10) | 299,054 | – | 299,054 | 130,690 |
| | 833,691 | 5,128 | 838,819 | 463,237 |
| **Portfolio investments** – at market value (notes 2(f), 3, 5 and 9) | 5,000 | 231,285 | 236,285 | 236,225 |
| **Property, plant and equipment** (note 4) | 13,599 | – | 13,599 | 26,715 |
| | 852,290 | 236,413 | 1,088,703 | 726,177 |
| **Liabilities and fund balance** | | | | |
| **Current liabilities** | | | | |
| Bank indebtedness (note 5) | 193,600 | – | 193,600 | 185,184 |
| Accounts payables and accrued liabilities (note 14) | 528,618 | – | 528,618 | 343,635 |
| Due to the General Fund | – | 5,137 | 5,137 | 5,143 |
| Deferred revenue (note 6) | 49,886 | – | 49,886 | 38,172 |
| Wheelchair Recycling Program (note 10) | 299,054 | – | 299,054 | 130,690 |
| | 1,071,158 | 5,137 | 1,076,295 | 702,824 |
| **Deferred contributions related to property, plant and equipment** (note 7) | 391 | – | 391 | 4,622 |
| **Camp Tidnish Fund** (note 8) | 8,201 | – | 8,201 | 122 |
| **Long-term debt** (note 13) | 150,000 | – | 150,000 | – |
| **Elizabeth & Forest Fyfe Award Fund** (note 9) | 5,177 | – | 5,177 | 5,064 |
| | 1,234,927 | 5,137 | 1,240,064 | 712,632 |
| **Net Assets** | | | | |
| Investment in property, plant and equipment | (137,017) | – | (137,017) | 21,868 |
| Unrestricted – General Fund | (245,620) | – | (245,620) | (239,539) |
| Internally restricted – Reserve Fund | – | 231,276 | 231,276 | 231,216 |
| | (382,637) | 231,276 | (151,361) | 13,545 |
| | 852,290 | 236,413 | 1,088,703 | 726,177 |

**Commitments** (note 14)

**Approved by the Board of Directors**

_______________________________ Director _______________________________ Director

# Easter Seals Nova Scotia

Consolidated Statement of Changes in Net Assets

**For the year ended March 31, 2014**

| | Investment in property, plant and equipment $ | Unrestricted – General Fund $ | Internally restricted – Reserve Fund $ | Total $ |
|---|---|---|---|---|
| **Net assets – March 31, 2013** | 21,868 | (239,539) | 231,216 | 13,545 |
| Excess of revenue over expenditures (expenditures over revenue) and change in fair value of investments for the year | (8,885) | (163,791) | 7,770 | (164,906) |
| Transfer of Reserve Fund investment income, net of expenses | – | 7,710 | (7,710) | – |
| Net change in long-term debt | (150,000) | 150,000 | – | – |
| **Net assets – March 31, 2014** | (137,017) | (245,620) | 231,276 | (151,361) |

# Easter Seals Nova Scotia

Consolidated Statement of Revenue and Expenditures

**For the year ended March 31, 2014**

| | General Fund $ | Reserve Fund $ | 2014 Total $ | 2013 Total $ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Special events | 223,887 | – | 223,887 | 355,327 |
| Campaigns | 157,538 | – | 157,538 | 280,493 |
| Planned Giving | 5,110 | – | 5,110 | 6,839 |
| Camp Tidnish | 151,196 | – | 151,196 | 154,926 |
| Development | 15,829 | – | 15,829 | 15,162 |
| Take PART | 16,674 | – | 16,674 | 15,661 |
| New Leaf Enterprises | 884,948 | – | 884,948 | 814,112 |
| Community Client Services and Polio Support | 275 | – | 275 | 380 |
| Wheelchair Recycling Program (note 10) | 1,699,421 | – | 1,699,421 | 1,722,056 |
| Assistive Devices | 24,079 | – | 24,079 | 9,646 |
| Investment income | 9 | 7,710 | 7,719 | 12,688 |
| Other income | 565 | – | 565 | 3,122 |
| | 3,179,531 | 7,710 | 3,187,241 | 3,390,412 |
| **Expenditures** | | | | |
| Administration | 67,546 | – | 67,546 | 67,850 |
| Programs | | | | |
| Assistive Devices | 49,962 | – | 49,962 | 41,994 |
| Camp Tidnish | 224,968 | – | 224,968 | 215,127 |
| Community Client Services and Polio Support | 16,517 | – | 16,517 | 15,587 |
| Wheelchair Recycling Program (note 10) | 1,699,421 | – | 1,699,421 | 1,722,056 |
| Take PART | 38,046 | – | 38,046 | 33,888 |
| New Leaf Enterprises | 822,161 | – | 822,161 | 802,395 |
| Development | 290,693 | – | 290,693 | 300,149 |
| Fund-raising (Easter Seals Drop Zone, Easter Seals Gala and Easter Seals Month Events) | 141,742 | – | 141,742 | 207,719 |
| Other amortization | 1,151 | – | 1,151 | 1,843 |
| | 3,352,207 | – | 3,352,207 | 3,408,608 |
| **Excess of revenue over expenditures (expenditures over revenue) before change in fair value of investments** | (172,676) | 7,710 | (164,966) | (18,196) |
| **Gain on sale of investments** | – | – | – | 6,779 |
| **Net change in unrealized gain on investments** | – | 60 | 60 | (7,969) |
| **Excess of revenue over expenditures (expenditures over revenue) and change in fair value of investments for the year** | (172,676) | 7,770 | (164,906) | (19,386) |

# Easter Seals Nova Scotia

Consolidated Statement of Cash Flows

**For the year ended March 31, 2014**

| | 2014 $ | 2013 $ |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Excess of expenditures over revenue and change in fair value of investments for the year | (164,906) | (19,386) |
| Charges (credits) to operations not involving cash | | |
| Amortization of property, plant and equipment | 13,116 | 13,696 |
| Amortization of deferred contributions | (4,231) | (7,165) |
| Loss on disposal of investments | – | (6,779) |
| Change in unrealized loss on investments | (60) | 7,969 |
| | (156,081) | (11,665) |
| Net change in non-cash working capital balances related to operations | | |
| Decrease (increase) in accounts receivable | (174,186) | (115,460) |
| Decrease in inventory | (2,998) | 1,444 |
| Decrease (increase) in prepaid expenses | 1,594 | (2,992) |
| Increase (decrease) in accounts payable and accrued liabilities | 184,983 | (134,045) |
| Increase (decrease) in deferred revenue | 11,714 | (3,758) |
| | (134,974) | (266,476) |
| **Financing activities** | | |
| Increase in bank indebtedness | 8,416 | 8,116 |
| Long-term debt | 150,000 | – |
| | 158,416 | 8,116 |
| **Investing activities** | | |
| Purchase of property, plant and equipment | – | (5,595) |
| Decrease in portfolio investments – net | – | 256,535 |
| Decrease in Camp Tidnish Fund | 8,079 | (3,720) |
| Decrease in Elizabeth & Forest Fyfe Award Fund | 113 | – |
| | 8,192 | 247,220 |
| **Net change in cash during the year** | 31,634 | (11,140) |
| **Cash – Beginning of year** | 7,317 | 18,457 |
| **Cash – End of year** | 38,951 | 7,317 |

## 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 Nova Scotia's 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 financial statements have been prepared in accordance with the Canadian accounting standards for not-for-profit organizations ("ASNPO") (Part III of the CICA 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.

Significant 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.

## 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 that the assets to which they relate 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 up 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.

Investment income earned on Reserve Fund investments is transferred to the General Fund. Disbursements from the Reserve Fund require a resolution from the Board of Directors. Reserve Fund assets as at March 31, 2013 include cash of $5,128 (2013 - $5,134), accrued interest receivable of $nil (2013 - $nil) and portfolio investments of $231,285 (2013 - $231,225).

### 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.

## 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

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Cost** $ | **Market value** $ | **Cost** $ | **Market value** $ |
| **Fixed income securities** | | | | |
| General Fund | 5,000 | 5,000 | 5,000 | 5,000 |
| Reserve Fund | 230,000 | 231,285 | 230,000 | 231,225 |
| **Total** | 235,000 | 236,285 | 235,000 | 236,225 |

## 4 Property, plant and equipment

| | | | 2014 |
|---|---|---|---|
| | **Cost** $ | **Accumulated amortization** $ | **Net** $ |
| Equipment | 53,805 | 49,889 | 3,916 |
| Vehicles | 100,667 | 91,464 | 9,203 |
| Computers | 68,839 | 68,839 | – |
| Furniture | 23,350 | 23,350 | – |
| Leasehold improvements | 62,007 | 61,527 | 480 |
| | 308,668 | 295,069 | 13,599 |

| | | | 2013 |
|---|---|---|---|
| | **Cost** $ | **Accumulated amortization** $ | **Net** $ |
| Equipment | 53,805 | 48,771 | 5,034 |
| Vehicles | 100,667 | 83,547 | 17,120 |
| Computers | 68,839 | 68,839 | – |
| Furniture | 23,350 | 23,350 | – |
| Leasehold improvements | 62,007 | 57,446 | 4,561 |
| | 308,668 | 281,953 | 26,715 |

## 5 Bank indebtedness

Easter Seals has provided $225,000 of the portfolio investments 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:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Balance – Beginning of year | 38,172 | 41,930 |
| Amount recognized as revenue in the year | (37,863) | (41,930) |
| Amounts received related to subsequent periods | 49,577 | 38,172 |
| Balance – End of year | 49,886 | 38,172 |

## 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:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Balance – Beginning of year | 4,622 | 11,787 |
| Amounts amortized to revenue | (4,231) | (7,165) |
| Balance – End of year | 391 | 4,622 |

## 8 Camp Tidnish Fund

Easter Seals and the Amherst Rotary Club signed an agreement on October 12, 2004, 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:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Balance – Beginning of years | 122 | 3,842 |
| Contributions | 10,000 | 10,000 |
| Expenditures | (1,927) | (13,731) |
| Interest income | 6 | 11 |
| Balance – End of years | 8,201 | 122 |

As a result, $8,201 (2013 - $122) of cash in the General Fund is restricted from general use by Easter Seals.

## 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, 2014 - $nil (2013 - $nil).

| | 2014<br>$ | 2013<br>$ |
|---|---:|---:|
| Fund balance | 5,177 | 5,064 |

$177 (2013 - $64) of cash and accounts receivable and $5,000 (2013 - $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 the past 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 $286,353 (2013 - $152,079) unused funding included in deferred revenue) of the Program expenses, the funding for which will be received in the next fiscal year.

During the year, the Program incurred expenses of $1,699,421 (2013 - $1,722,056) and received additional funding of $1,700,000 (2013 - $1,677,030) and earned investment income, which was re-invested in the Program, of $13,177 (2013 - $1,457).

## 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.

## 12 Salary and payroll expenses

Salary and payroll expenses of $889,689 (2013 - $912,157) have been allocated as follows:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Administration | 26,340 | 24,329 |
| Assistive Devices | 5,190 | 5,062 |
| Camp Tidnish | 66,025 | 61,416 |
| Community Client Services | 4,426 | 2,713 |
| Development | 173,038 | 204,748 |
| New Leaf Enterprises | 432,843 | 436,652 |
| Polio Nova Scotia | 4,972 | 5,772 |
| Take PART | 15,842 | 14,088 |
| Wheelchair Recycling Program | 161,013 | 157,377 |
| | 889,689 | 912,157 |

## 13 Long-term debt

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Loan payable, bearing interest at 1%, payable in three instalments commencing on April 1, 2015. | 150,000 | – |

The loan is repayable to Easter Seals Canada in three equal installments of $50,000 due on April 1, 2015, 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.

### Lease of office equipment

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

| | $ |
|---|---|
| Year ending March 31, 2015 | 11,746 |
| 2016 | 11,746 |
| 2017 | 11,746 |
| 2018 | 11,746 |

## 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, $25,483 (2013 - $26,057) 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 in the accounts.

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, 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 current year revenue but will be taken into revenue in fiscal 2015.

Easter is not scheduled to fall outside of Easer Seals' fiscal year again until 2017.