Financial Statements

Easter Seals Ontario
(in thousands of dollars)

December 31, 2012 and 2011

EASTER SEALS ONTARIO
(in thousands of dollars)
2012 and 2011 Financial Statements

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Independent Auditor's Report

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To the Members of
Easter Seals Ontario
(in thousands of dollars)

We have audited the accompanying financial statements of Easter Seals Ontario, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, and the statements of operations, statements of changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion
In common with many not-for-profit organizations, Easter Seals Ontario derives revenue from donations from the public, 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 Ontario and we were not able to determine whether any adjustments might be necessary to revenues, deficiency of revenue over expenses, assets and net assets.

Qualified opinion
In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Easter Seals Ontario as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Grant Thornton LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
April 25, 2013

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EASTER SEALS ONTARIO

(in thousands of dollars)
Statements of Financial Position
As at

	December 31, 2012	December 31, 2011	January 1, 2011
ASSETS			
Current assets			
Cash	$ 693	$ 610	$ 1,340
Short-term investments	-	-	600
Accounts receivable (note 4)	756	774	671
Prepaid expenses	149	256	222
	1,598	1,640	2,833
Investments (note 5)	2,827	2,850	3,147
Property and equipment (note 6)	6,616	6,938	4,800
	$ 11,041	$ 11,428	$ 10,780
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities	$ 278	$ 310	$ 384
Deferred revenue	134	152	202
	412	462	586
Deferred lease liability	190	215	245
Deferred capital contributions (note 8)	4,005	4,148	2,857
	4,607	4,825	3,688
Net assets			
Restricted for endowment purposes	810	803	886
Invested in property and equipment	2,621	2,795	2,216
Camp capital and recreational choices	-	239	1,132
Unrestricted	3,003	2,766	2,858
	6,434	6,603	7,092
	$ 11,041	$ 11,428	$ 10,780

Commitments (note 11)

See accompanying notes

On behalf of the Board

(Duncan Hawthorne) **Director**

(Allan Krochmalnek) **Director**

EASTER SEALS ONTARIO

(in thousands of dollars)
Statements of Operations
Years ended December 31

	2012	2011
Revenue		
Public support		
Easter Seals Ontario direct mail campaign	$ 1,636	$ 1,759
District council and community support	2,831	2,442
Corporate and third party events	3,601	3,365
Unrestricted bequests	1,015	980
Amortization of deferred capital contributions (note 8)	258	241
	9,341	8,787
Camp and other program contributions	394	350
Government grants	85	123
Investment income	87	73
Other revenue	77	176
Unrealized loss on investments	(23)	-
	620	722
Total revenue	9,961	9,509
Expenditures		
Program expenditures (note 9)		
Direct support to children and families	1,395	1,359
Camping	2,719	2,743
Community development and service delivery	1,359	1,529
Public education and awareness programs	1,930	1,873
	7,403	7,504
Fundraising (note 9)	2,396	1,996
Management and administrative support	338	415
	2,734	2,411
Total expenditures	10,137	9,915
Deficiency of revenue over expenditures for the year	$ (176)	$ (406)

See accompanying notes

EASTER SEALS ONTARIO

(in thousands of dollars)
Statements of Changes in Net Assets
Years ended December 31, 2012 and December 31, 2011

	December 31, 2012				
	Restricted for endowment purposes	Invested in property and equipment	Camp capital and recreational choices	Unrestricted	Total
Balance, beginning of year	$ 803	$ 2,795	$ 239	$ 2,766	$ 6,603
Excess (deficiency) of revenue over expenditures for the year	-	(253)	-	77	(176)
Investment in property and equipment	-	79	-	(79)	-
Endowment contributions	10	-	-	-	10
Endowment expenditure	(15)	-	-	-	(15)
Interest applied	12	-	-	-	12
Fund transfer	-	-	(239)	239	-
Balance, end of year	$ 810	$ 2,621	$ -	$ 3,003	$ 6,434

	December 31, 2011					January 1, 2011
	Restricted for endowment purposes	Invested in property and equipment	Camp capital and recreational choices	Unrestricted	Total	Total
Balance, beginning of year	$ 886	$ 2,216	$ 1,132	$ 2,858	$ 7,092	$ 7,574
Release of endowment funds	(94)	-	-	-	(94)	(501)
Deficiency of revenue over expenditures for the year	-	(266)	-	(140)	(406)	-
Investment in property and equipment	-	845	-	(845)	-	-
Endowment contributions	11	-	-	-	11	16
Endowment expenditure	(13)	-	-	-	(13)	(10)
Interest applied	13	-	-	-	13	13
Fund transfer	-	-	(893)	893	-	-
Balance, end of year	$ 803	$ 2,795	$ 239	$ 2,766	$ 6,603	$ 7,092

See accompanying notes

EASTER SEALS ONTARIO

(in thousands of dollars)
Statements of Cash Flows
Years ended December 31

	2012	2011
Operating activities		
Deficiency of revenue over expenditures	$ (176)	$ (406)
Items not involving cash		
Amortization of property and equipment	511	507
Amortization of deferred contributions	(258)	(241)
Amortization of deferred lease liability	(25)	(30)
Unrealized loss on investments	23	-
	75	(170)
Net change in non-cash working capital items		
Accounts receivable	18	(103)
Prepaid expenses	107	(34)
Accounts payable and accrued liabilities	(32)	(74)
Deferred revenue	(18)	(50)
	75	(261)
Cash flows from operating activities	150	(431)
Investing activities		
Contributions to restricted bequest	115	1,532
Endowment contributions	10	(83)
Purchase of property and equipment	(189)	(2,645)
Sale of investments	-	897
Release of endowment funds for expenditures	(15)	(13)
Interest applied	12	13
Cash flows from investing activities	(67)	(299)
Net change in cash during the year	83	(730)
Cash, beginning of year	610	1,340
Cash, end of year	$ 693	$ 610

See accompanying notes

1. Mandate

Easter Seals Ontario (the "Organization") is dedicated to helping children, youth and young adults with physical disabilities achieve a greater level of acceptance and independence.

The Organization provides financial assistance for essential mobility equipment and communication devices, such as walkers, wheelchairs, porch lifts and ramps to families who require additional help and support in raising a child with a physical disability. The Organization also owns and operates two fully accessible summer camps and provides funding for children with physical disabilities to attend other recreational programs, and provides access to information and resources, as well as public education and awareness.

The Organization was incorporated in 1922 as the Ontario Society for Crippled Children and is a registered charity (number 119068377 RR0001) under the Income Tax Act (Canada).

2. Summary of significant accounting policies

The financial statements of the Organization have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The accrual basis of accounting is used for reporting all revenue and expenditures.

Revenue recognition

Revenue is recognized only when the amount is measurable and reasonable certainty of collection exists. Accordingly, due to their nature, donation revenue and unrestricted bequests are recorded when received or receivable.

Revenue received in advance for special fundraising activities is deferred until the event has occurred, at which time all fundraising revenue is reflected in the statement of operations.

Revenue from restricted bequests and donations for camp and children's services is deferred and recognized as revenue in the year in which the related expenditure is incurred.

Endowment contributions are recognized as direct increases in the statement of changes in net assets.

Public support fundraising revenue is recorded based on gross dollars received, with the related fundraising costs separately recorded on the statement of operations.

Donations in-kind

Donations in-kind are recorded when a fair value can be reasonably estimated and when the goods or assets are used in the normal course of operations and would otherwise have been purchased. Donated property and equipment are recorded as a direct increase to property and equipment and net assets on the statement of financial position. Because of the difficulty in determining fair value, the contributed services of volunteers are not recognized in these financial statements.

2. Summary of significant accounting policies — continued

Allocation of expenditures

The Organization engages in financial assistance, camping and public education and awareness programs. The costs of each program include the costs of personnel, premises and other expenditures that are directly related to providing the programs. The Organization also incurs a number of general support costs common to the administration of the Organization and each of its programs, including the costs of personnel, premises and other expenditures for the corporate services and information technology functions. The Organization allocates certain of its general support costs by identifying the appropriate basis of allocation for each component expenditure and applies that basis consistently each year. Management and administrative support costs are allocated based on the number of full-time equivalents working in each function.

Fundraising costs for the direct mail, district council and community support and corporate and third party events are allocated to public education, advocacy and government relations based on the estimated portion of direct costs incurred to promote the Organization and its mission through posters, videos, brochures and other promotional activities as a percentage of total fundraising costs.

Net assets

Funds restricted for endowment purposes include gifts, bequests and other special donations received by the Organization in respect of which explicit restrictions exist on the use of the funds.

The funds invested in property and equipment relate to the Organization's investment in property and equipment and are classified as internally restricted funds. Contributions restricted for the purchase of property and equipment are deferred and matched with the related amortization expense and are disclosed as deferred capital contributions.

Unrestricted net assets represent funds available to support ongoing operations.

Financial instruments

The Organization classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Organization's accounting policy for each category is as follows:

Financial instruments	**Classification**	**Subsequent measurement**
Investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Cost
Short-term investments	Held for trading	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Cost

Short-term investments

Short-term investments include GICs with original terms to maturity between 90 days and one year when acquired.

2. Summary of significant accounting policies — continued

Property and equipment

Property and equipment purchased by the Organization are recorded at cost and those assets donated to the Organization are recorded at their fair value on the date of receipt. The carrying values of property and equipment on the statement of financial position are amortized at the following rates:

Camp buildings	10-35 years straight-line
Camp and office equipment	5-10 years straight-line
Program vehicles	5 years straight-line
Computer equipment and technology	3-5 years straight-line

Deferred lease liability

Current and future rent escalations are expensed on a basis that allocates these costs on a straight-line basis over the term of the lease.

Lease incentives are recorded as deferred lease inducements and amortized as a reduction of the lease expense over the term of the lease.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the year. Significant estimates and assumptions included in these financial statements are used when determining the useful life of property and equipment, accruals and allocation of expenses to fundraising and program expenditure. Actual results could differ from those estimates.

3. First-time adoption of ASNPO-based accounting standards

These financial statements are the first financial statements for which the Organization has applied ASNPO. Comparative period information was prepared in accordance with ASNPO and the provisions set out in Section 1501 of the CICA Handbook, First-time adoption by not-for-profit organizations.

The date of transition to ASNPO is January 1, 2011. The Organization's transition from Canadian Generally Accepted Accounting Principles ("previous GAAP") to ASNPO has had no impact on the opening net assets as at January 1, 2012 or the statements of operations or cash flows for the year ended December 31, 2012.

As a result, the reconciliations and disclosures required by Section 1501, First-time adoption for not-for-profit organizations, for the net assets at the transition date, and the comparative period statements of operations and cash flows are not necessary and have not been presented in these financial statement notes.

4. Accounts receivable

Included in accounts receivable as at December 31, 2012 are amounts of $400 (December 31, 2011 - $350; January 1, 2011 - $303) received by Easter Seals Canada, which were specifically designated to Easter Seals Ontario.

5. Investments

	Fair value December 31, 2012	Fair value December 31, 2011	Fair value January 1, 2011
GICs	$ 2,263	$ 2,263	$ 2,460
Bonds	564	587	687
	$ 2,827	$ 2,850	$ 3,147

The bonds are long-term investments and consist of federal guaranteed bonds with AAA rating. The bonds bear an average effective interest rate of 4.8% and the interest rates on the GICs range from 2.2% to 3.8%.

A portion of the capital invested in bonds and GICs is restricted. The GIC investments have various maturity dates between May 2013 and October 2015. The restricted amount of $810 (2011 - $803) represents endowments and trusts received, whereby the principal amount cannot be utilized by the Organization other than for investment income purposes.

6. Property and equipment

	Cost	Accumulated Amortization	December 31, 2012 Total
Camp land	$ 42	$ -	$ 42
Camp buildings	13,630	7,432	6,198
Camp and office equipment	1,822	1,743	79
Program vehicles	365	346	19
Computer equipment and technology	471	418	53
Leasehold improvements	425	200	225
	$ 16,755	$ 10,139	$ 6,616

	Cost	Accumulated Amortization	December 31, 2011 Total	January 1, 2011 Total
Camp land	$ 42	$ -	$ 42	$ 42
Camp buildings	13,494	7,060	6,434	4,139
Camp and office equipment	1,787	1,680	107	165
Program vehicles	363	338	25	44
Computer equipment and technology	455	392	63	100
Leasehold improvements	425	158	267	310
	$ 16,566	$ 9,628	$ 6,938	$ 4,800

Amortization of property and equipment of $511 (2011 - $507) has been included within the applicable expenditure categories to which it relates in the statement of operations to more accurately reflect infrastructure and support costs for program and operating expenditure.

7. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities at December 31, 2012 are Government remittances owing of $Nil (December 31, 2011 - $Nil; January 1, 2011 - $Nil).

8. Deferred capital contributions

Deferred capital contributions represent the unspent amounts of contributions and bequests whose use has been externally restricted for capital purposes.

	Camp and children's services	Unamortized restricted bequests	Total December 31, 2012
Balance, beginning of year	$ 5	$ 4,143	$ 4,148
Donations received	5	110	115
Amortization	-	(258)	(258)
Balance, end of year	$ 10	$ 3,995	$ 4,005

	Camp and children's services	Unamortized restricted bequests	Total December 31, 2011
Balance, beginning of year	$ 273	$ 2,584	$ 2,857
Donations	5	1,527	1,532
Amortization	-	(241)	(241)
Transfer of funds for purchase of property and equipment	(273)	273	-
Balance, end of year	$ 5	$ 4,143	$ 4,148

9. Allocation of expenditures

Fundraising expenditures

Fundraising expenditures reported in the statement of operations of $2,396 (2011 - $1,996) are reported after allocation of $1,375 (2011 - $1,364) to the public education and awareness programs, representing the cost of brochures and educational materials that were part of the campaign or event and were sent and/or presented to specific individuals who could benefit from the educational content therein. Public education and awareness programs costs also include salaries and benefits, direct event expenditure and production costs.

9. Allocation of expenditures — continued

Management and administrative support costs

Management and administrative support costs include finance, administration, human resources and information technology department expenditures of which $1,252 (2011 - $1,211) has been allocated as follows:

	2012	2011
Direct support to children and their families	$ 87	$ 80
Camping	612	560
Community development and service delivery	233	289
Public education, advocacy and government relations	44	44
Fundraising	276	238
	$ 1,252	$ 1,211

10. Incontinence Supplies Grant Program

Since 1999, the Organization has administered the Incontinence Supplies Grant Program for children and youth with disabilities under the age of 18, which was established for the purpose of assisting families with the extraordinary costs faced with caring for children and youth with chronic incontinence living in the community. The program is funded by the Province of Ontario. During the province's fiscal year ended March 31, 2012, the total cost to support and administer the program for 7,395 (2011 - 7,384) clients was $4,545 (2011 - $4,717).

For the fiscal year ended March 31, 2012, the Organization continued to assume the responsibility of administering a related government program to top up the grants, on a short-term project basis, for eligible families receiving assistance for children with severe disabilities. The total cost to support and administer the program for 1,477 (2011 - 1,660) families was $431 (2011 - $487) for the province's year ended March 31, 2012.

For each of these programs, the Organization does not control or have the ability to exercise significant influence over the programs; consequently, the respective program activities and transactions have not been recorded in these financial statements.

11. Commitments

The Organization has entered into various lease arrangements for premises and equipment, which include future commitments. The expected future minimum payments related to these commitments are as follows:

2013	$ 190
2014	146
2015	97
2016	94
2017	95
Thereafter	23
	$ 645

As part of the Organization's mandate, the Organization funds requests from families for financial assistance. These requests are for equipment and mobility and communication devices. As at December 31, 2012, the value of approved and outstanding commitments for requests for financial assistance amounted to approximately $23 (December 31, 2011 - $33; January 1, 2011 - $66).

12. Credit facility

The Organization has access to a $500 credit facility (the "facility") for operations. The facility bears interest at the bank's prime rate plus 0.5% and is repayable on demand. The facility is secured by a collateral mortgage against property owned by the Organization.

13. Risk management

It is management's opinion that the Organization is not exposed to significant interest or currency risks. Exposure to credit, liquidity and market risks is as follows:

Credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk are cash and short-term investments. The Organization places its cash in interest bearing accounts and instrument insured by a Canadian chartered bank, or in highly liquid investments that are readily convertible into known amounts of cash.

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they come due. The Organization manages liquidity risk through regular monitoring of forecast and actual cash flows. Given the Organization's available liquid resources as compared to the timing of the payment of liabilities, management assesses the Organization's liquidity risk to be low.

Market risk

Investments are subject to market risk, which includes price risk. The price risk of the portfolio is the volatility and risk of capital loss associated with investment in equities. The Organization manages this risk by investing in fixed income instruments and short-term investments that meet specific investment criteria established and approved by the Board of Directors and designed to adequately diversify the Organization's investments to reduce exposure to market risk. Investments are recorded at fair values. Fair value estimates are made at a specific point in time and may not be reflective of future value. The Organization does not hold or issue financial instruments for active trading purposes and does not hold or invest in derivative financial instruments.

14. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2012 financial statements.