

EASTER SEALS ALBERTA SOCIETY

Financial Statements

Year Ended October 31, 2016

EASTER SEALS ALBERTA SOCIETY
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Year Ended October 31, 2016

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January 17, 2017
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Easter Seals Alberta Society

We have audited the accompanying financial statements of Easter Seals Alberta Society, which comprise the statement of financial position as at October 31, 2016 and the statements of operations, changes in net assets and cash flow for the year then ended, 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 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 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, Easter Seals Alberta Society derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended October 31, 2016, current assets and net assets as at October 31, 2016.

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 Alberta Society as at October 31, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Kingston Ross Pasnak LLP

Kingston Ross Pasnak LLP
Chartered Professional Accountants


EASTER SEALS ALBERTA SOCIETY
Statement of Operations
For the Year Ended October 31, 2016

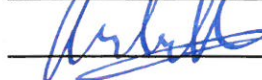
	2016	2015
REVENUE		
Fundraising campaigns and events	\$ 2,312,934	\$ 2,307,937
Recreation camp	1,070,758	926,797
Residential home	813,718	798,037
Amortization of deferred capital contributions	604,536	494,329
Equipment Support Services	304,795	303,263
Investment income	62,840	104,589
Other revenue and contributions	32,894	3,697
	5,202,475	4,938,649
EXPENDITURES		
Recreation camp	1,545,283	1,431,691
Equipment Support Services	878,362	980,326
Residential home	764,829	722,297
Fundraising campaigns and events	740,770	772,688
General administration	633,082	642,800
Amortization	620,978	516,251
Contributions to registered charitable organizations	152,245	186,547
Public education	43,437	43,723
	5,378,986	5,296,323
UNREALIZED GAIN (LOSS) ON INVESTMENTS	14,982	(48,576)
DEFICIENCY OF REVENUE OVER EXPENDITURES	\$ (161,529)	\$ (406,250)

EASTER SEALS ALBERTA SOCIETY
Statement of Financial Position
October 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash (Note 3)	\$ 394,525	\$ 727,354
Short term investments (Note 4)	1,876,023	2,308,494
Accounts receivable	322,270	258,091
Prepaid expenses	97,144	91,692
	2,689,962	3,385,631
PROPERTY AND EQUIPMENT (Note 5)	8,239,628	7,968,901
ESTATES/BEQUESTS INVESTMENTS (Note 6)	361	157,349
	\$ 10,929,951	\$ 11,511,881
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 284,370	\$ 229,241
Source deductions payable	22,728	2,425
Deferred provincial contributions (Note 7)	36,677	31,575
Current portion of deferred capital contributions (Note 8)	604,536	494,329
	948,311	757,570
EXTERNALLY RESTRICTED CONTRIBUTIONS (Schedule 1)	1,072,527	1,860,631
DEFERRED CAPITAL CONTRIBUTIONS (Note 8)	7,408,131	7,231,169
	9,428,969	9,849,370
COMMITMENTS (Note 9)		
NET ASSETS		
Stabilization reserve (Note 10)	590,000	590,000
Investment in property and equipment	226,961	243,403
Estates/ bequests contributions internally restricted (Note 11)	579,021	724,108
Endowment funds (Note 12)	105,000	105,000
	1,500,982	1,662,511
	\$ 10,929,951	\$ 11,511,881

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

EASTER SEALS ALBERTA SOCIETY
Statement of Changes in Net Assets
Year Ended October 31, 2016

	Stabilization reserve fund	Investment in property and equipment fund	Estates/ bequests contributions internally restricted fund	Endowment fund	Unrestricted net assets	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ 590,000	\$ 243,403	\$ 724,108	\$ 105,000	\$ -	\$ 1,662,511	\$ 2,068,761
Deficiency of revenue over expenditures	-	(16,442)	-	-	(145,087)	(161,529)	(406,250)
Transfers (Note 11)	-	-	(145,087)	-	145,087	-	-
Investment in property and equipment	-	-	-	-	-	-	-
NET ASSETS - END OF YEAR	\$ 590,000	\$ 226,961	\$ 579,021	\$ 105,000	\$ -	\$ 1,500,982	\$ 1,662,511

EASTER SEALS ALBERTA SOCIETY**Statement of Cash Flow****Year Ended October 31, 2016**

	2016	2015
OPERATING ACTIVITIES		
Cash receipts from donors, clients and government	\$ 4,642,463	\$ 5,428,804
Cash paid to suppliers	(2,450,398)	(2,625,417)
Cash paid to employees	(2,238,830)	(2,198,469)
	(46,765)	604,918
INVESTING ACTIVITIES		
Purchase of property and equipment	(892,150)	(2,917,692)
Proceeds on disposal of property and equipment	1,645	-
Purchase of short term investments	(666,123)	(571,119)
Proceeds on redemption of short term investments	1,270,564	3,004,659
	(286,064)	(484,152)
(DECREASE) INCREASE IN CASH FLOW	(332,829)	120,766
CASH - BEGINNING OF YEAR	727,354	606,588
CASH - END OF YEAR	\$ 394,525	\$ 727,354

EASTER SEALS ALBERTA SOCIETY

Notes to Financial Statements

Year Ended October 31, 2016

1. PURPOSE OF THE SOCIETY

Easter Seals Alberta Society (the "Society") is a not-for-profit organization incorporated under the Societies Act of Alberta. As a registered charity the Society is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

In addition to the programs included in these financial statements - recreation camp, residential home, Equipment and Support Services - the Society provides various additional services. These services include consultation, education and the promotion of social policy which assists disabled Albertans within the community at large.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies observed in the preparation of the financial statements are summarized below.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit plus cash held within investment portfolios, less cheques issued and outstanding and net of draws on the operating line of credit.

Short Term Investments

Equity investments are carried at fair value. Unrealized gains or losses and investment income are recognized as income in the year received. Other investments are carried at amortized cost.

Estates/Bequests Investments

Estates/bequests investments, which consist of federal, provincial and corporate bonds, are recorded at amortized cost.

Interest income is recognized when earned. Realized gains and losses are recognized when the investment is sold.

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EASTER SEALS ALBERTA SOCIETY
Notes to Financial Statements
Year Ended October 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and Equipment

Property and equipment having an individual value of \$1,000 or more and a useful life beyond one year is capitalized. Purchased property and equipment is recorded at cost. Contributed property and equipment is recorded at fair market value at the date of contribution. When fair market value cannot be reasonably determined, the contributed property and equipment is recorded at nominal value.

With respect to Camp Horizon, property and equipment which was received as donations prior to January 1, 1997 was not recorded since the amounts involved were not reasonably determinable.

Property and equipment is amortized over its estimated useful life using the diminishing balance method at the following annual rates:

Buildings	5%
Leasehold improvements	20%
Equipment	20%
Land improvements	8%
Furniture	20%
Automotive equipment	30%
Computer software	50%

Revenue Recognition

Easter Seals Alberta Society follows the deferral method of accounting for contributions.

Contributions restricted for purposes other than the acquisition of property and equipment are deferred and recognized as revenue in the year in which the related expenses are incurred. Contributions restricted to the acquisition of property and equipment having limited lives are recorded as deferred capital contributions in the period in which they are received and are amortized to revenue over the useful life of the related assets. Other contributions are recognized based on the nature of the related restriction.

Unrestricted contributions, including pledges, are recognized as revenue when received or receivable if the amount can be estimated and collection is reasonably assured.

Externally restricted endowment contributions are recognized as direct increases in net assets in the period received or receivable.

Rental revenue and investment income are recognized when it is earned and collection is reasonably assured.

The Society recognizes revenue from unrestricted grants when received, or when receivable if the amount to be received can be reasonably estimated, collection is reasonably assured and a commitment letter has been received.

(continues)

EASTER SEALS ALBERTA SOCIETY
Notes to Financial Statements
Year Ended October 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributed Goods and Services

Contributed goods consist of gifts in kind and are recorded at their fair market value at the time of the donation. During the year \$110,142 in goods were donated (2015 - \$215,420).

Contributed services include volunteer hours in fulfilling the Society's mission. Due to the difficulty in determining the value of contributed services, the Society chooses not to record contributed amounts in the financial statements.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Such estimates include providing for amortization of property and equipment and the recoverability of accounts receivable.

Financial Instruments

All financial instruments are initially measured at fair value, and, unless otherwise noted, the Society subsequently measures its financial instruments at amortized cost.

Disclosure of Allocated Expenses

The Society allocates the salaries of certain administrative managers to a number of functions within the organization based on percentages set by management.

3. CASH

	2016	2015
Cash is comprised of the following:		
Operating account	\$ 314,398	\$ 551,121
Casino account	78,427	147,210
Petty cash	1,700	1,700
Investment account	-	27,323
	\$ 394,525	\$ 727,354

Cash held in the casino account is restricted, as per restrictions set forth by the Alberta Gaming and Liquor Commission.

EASTER SEALS ALBERTA SOCIETY
Notes to Financial Statements
Year Ended October 31, 2016

4. SHORT TERM INVESTMENTS

	2016	2015
Short term investments are comprised of:		
Mutual funds	\$ 1,845,645	\$ 1,341,248
Guaranteed Investment Certificate, bearing interest at 1.40% maturing on December 7, 2017.	30,378	-
Guaranteed Investment Certificates, matured in the year.	-	544,683
CIBC Monthly Income Fund	-	422,563
	\$ 1,876,023	\$ 2,308,494

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Camp Horizon	\$ 11,100,012	\$ (3,310,637)	\$ 7,789,375	\$ 5,070,094
Residential home	949,309	(589,683)	359,626	290,715
Equipment Support Services	163,311	(136,071)	27,240	37,971
Projects in progress	63,387	-	63,387	2,570,121
	\$ 12,276,019	\$ (4,036,391)	\$ 8,239,628	\$ 7,968,901

Projects in progress relate to camp redevelopment for a water treatment facility. Note that projects in progress are not subject to amortization until substantially complete or in use.

Camp Horizon property and equipment includes building, projects in progress, land improvements, furniture, equipment, automotive equipment, and computer software. Residential Home property and equipment includes building, land improvements, furniture, and equipment. Equipment Support Services' property and equipment includes furniture, equipment, and computer software. The breakdown of property and equipment into these categories is as follows:

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Buildings	\$ 9,276,677	\$ (2,155,044)	\$ 7,121,633	\$ 4,167,580
Leasehold improvements	1,153,424	(646,925)	506,499	633,123
Equipment	955,238	(686,788)	268,450	297,294
Land improvements	280,258	(106,736)	173,522	188,611
Furniture	336,113	(257,367)	78,746	67,093
Projects in progress	63,387	-	63,387	2,570,121
Automotive equipment	143,251	(126,191)	17,060	24,417
Computer software	67,671	(57,340)	10,331	20,662
	\$ 12,276,019	\$ (4,036,391)	\$ 8,239,628	\$ 7,968,901

EASTER SEALS ALBERTA SOCIETY

Notes to Financial Statements

Year Ended October 31, 2016

6. ESTATES/BEQUESTS INVESTMENTS

Funds received by planned gifts or bequests are invested with the assistance of professional investment counsellors in accordance with investment policies ratified by the Board of Directors.

The bond matured during the year.

	2016	2015
Book value	\$ 361	\$ 157,349
Market value	361	159,039

7. DEFERRED PROVINCIAL CONTRIBUTIONS

Deferred provincial contributions consist of the following:

	2016	2015
Balance, beginning of year	\$ 31,575	\$ 45,022
Receipts	1,053,337	1,041,034
Disbursements	(1,048,235)	(1,054,481)
	\$ 36,677	\$ 31,575

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions include the unamortized portions of contributed property and equipment and restricted contributions used to purchase property and equipment.

	2016	2015
Balance, beginning of year	\$ 7,725,498	\$ 5,316,701
Contributed assets net of disposals	891,705	2,903,126
Amounts amortized to revenue	(604,536)	(494,329)
	8,012,667	7,725,498
Amounts included in current liabilities	(604,536)	(494,329)
	\$ 7,408,131	\$ 7,231,169

EASTER SEALS ALBERTA SOCIETY
Notes to Financial Statements
Year Ended October 31, 2016

9. COMMITMENTS

The McQueen Road Residential Home is situated on land leased from the City of Edmonton for a 10 year term, expiring August 31, 2019. The lease payment on this property is \$2,600 per year.

Camp Horizon is situated on land leased from the Government of Alberta. The lease payment on this property is \$24.42 per year in perpetuity. The Standby Letter of Credit is supported by a Guaranteed Investment Certificate with a cost of \$30,000.

The Society's total obligations under operating leases of office premise, as well as office equipment for the next five years and thereafter, exclusive of operating costs and taxes, are as follows:

2017	\$ 116,310
2018	117,862
2019	111,642
2020	57,517
2021	26,600
Thereafter	<u>25</u>
	<u>\$ 429,956</u>

10. STABILIZATION RESERVE FUND

The Stabilization Reserve Fund was established in 2009 to maintain financial reserves of at least one year of annual operating expenses. An amount of \$590,000 (2015 - \$590,000) was determined to represent a normalized figure of the average direct costs of the Society over the past five years.

11. ESTATES/BEQUESTS CONTRIBUTIONS

Estates/bequests contributions consist of funds provided to the Society by unrestricted estate bequests. Proceeds from estates are deemed internally restricted and are recorded as income when received. Income earned by the estates/bequests investments is taken into income of the Society.

The approval of a majority of the Board of Directors is required to permit any encroachment on the capital portion of the fund.

Estates/bequests contributions in the amount of \$nil; (2015 - \$nil) were received during the year.

EASTER SEALS ALBERTA SOCIETY
Notes to Financial Statements
Year Ended October 31, 2016

12. ENDOWMENT FUNDS

	2016	2015
Senator Patrick Burns Foundation	\$ 100,000	\$ 100,000
Anonymous Endowment	5,000	5,000
	\$ 105,000	\$ 105,000

The terms of the contribution from the Senator Patrick Burns Foundation allow the Society to administer interest free loans to residents of Calgary under the age of 21 years.

The terms of the contribution from the anonymous donor allow the Society to use interest earned on the funds to provide subsidized camper fees.

The Fund principal is to remain intact at its original contribution to the Society.

13. GOVERNMENT GRANT/CONTRACT FUNDING

The Society applies for, and receives, grant/contract funding from government departments and agencies to defray some of the salary and operating expenses of its programs. The following amounts are included in revenue on the statement of operations:

	2016	2015
Residential home	\$ 720,941	\$ 708,717
Equipment Support Services	304,795	303,263
Employment grants	102,635	63,734
	\$ 1,128,371	\$ 1,075,714

14. RELATED PARTY TRANSACTIONS

Included in expenses during the year are \$123,929 (2015 - \$123,170) paid to Easter Seals Canada for administrative and licensing fees.

EASTER SEALS ALBERTA SOCIETY
Notes to Financial Statements
Year Ended October 31, 2016

15. CHARITABLE FUNDRAISING ACT (ALBERTA)

The following supplementary information is disclosed in compliance with the Charitable Fundraising Act (Alberta) and related Regulations:

	2016	2015
Fundraising campaigns and events	\$ 2,191,716	\$ 2,275,870
Gaming revenues	164,041	70,822
Total amount paid as remuneration to employees of the organization whose principal duties involved fundraising	305,175	305,842

16. PENSION PLAN

	2016	2015
Employer contributions expensed during current year	\$ 47,217	\$ 46,607
Estimated value of plan	1,089,976	991,856
Total active members	30	29

Pension costs related to current services are charged to operations on a current basis and are calculated as a percentage of employees' earnings. The pension plan is a defined contribution plan and is funded wholly by contributions from the employer and employees.

17. ALLOCATED EXPENSES

The salaries of certain administrative managers are allocated as follows:

	2016		2015	
General administration	67%	\$ 233,540	67%	\$ 244,524
Equipment Support Services	22%	77,085	23%	82,185
Residential home	11%	39,600	10%	36,857
		\$ 350,225		\$ 363,566

EASTER SEALS ALBERTA SOCIETY

Notes to Financial Statements

Year Ended October 31, 2016

18. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments. The following analysis provides information about the Society's risk exposure and concentration as of October 31, 2016. Unless otherwise noted, the Society's risk exposure has not changed from the prior year.

Credit risk

Financial instruments that potentially subject the Society to concentrations of credit risk consist primarily of accounts receivable. In the normal course of business, the Society evaluates the financial condition of its donors on a continuing basis and reviews the credit worthiness of all new donors. Management assesses the need for allowances for potential credit losses by considering the credit risk of specific donors, historical trends, and other information.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the market interest rates. The Society is exposed to interest rate risk primarily through its investments in bonds.

EASTER SEALS ALBERTA SOCIETY
Schedule of Externally Restricted Contributions
Year Ended October 31, 2016

(Schedule 1)

	Equipment and Support Services North	Camp Horizon	Camp Redevelop- ment	McQueen Group Home	Equipment and Support Service South	Casino	2015
Opening	\$ 30,914	\$ 149,745	\$ 1,445,777	\$ 47,951	\$ 39,201	\$ 147,043	\$ 3,807,000
Receipts	101,821	170,152	198,827	158,494	106,511	96,847	1,416,199
Disbursements	(119,216)	(189,835)	(907,886)	(113,103)	(117,640)	(173,076)	(3,362,568)
	\$ 13,519	\$ 130,062	\$ 736,718	\$ 93,342	\$ 28,072	\$ 70,814	\$ 1,072,527
							\$ 1,860,631

Externally restricted contributions represent unspent resources externally restricted for a number of purposes.

The Equipment and Support Services (North and South), School Speaker, Camp Horizon, and McQueen Residence contributions were received from individuals, corporations, and charitable organizations for use by the Society to provide services and equipment to clients with specific needs. Contributions received for Camp Redevelopment are used to expand and upgrade the facilities at Easter Seals Camp Horizon as part of a five year capital campaign and are included as deferred capital contributions in Note 8.