

EASTER SEALS ALBERTA SOCIETY
Financial Statements
Year Ended October 31, 2018

EASTER SEALS ALBERTA SOCIETY
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Year Ended October 31, 2018

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KINGSTON
ROSS
PASNAK^{LLP}

Suite 1500, 9888 Jasper Avenue
Edmonton, Alberta T5J 5C6
T. 780.424.3000 | F. 780.429.4817 | W. krpgroup.com

January 22, 2019
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Members 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, 2018 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, deficiency of revenue over expenditures, and cash flows from operations for the year ended October 31, 2018, current assets and net assets as at October 31, 2018.

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, 2018 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

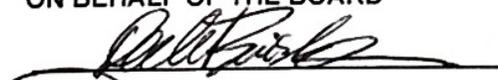
EASTER SEALS ALBERTA SOCIETY**Statement of Operations****Year Ended October 31, 2018**

	2018	2017
REVENUE		
Fundraising campaigns and events	\$ 1,605,217	\$ 2,199,469
Recreation camp	1,112,186	955,861
Residential home	845,498	847,735
Amortization of deferred capital contributions (Note 8)	509,777	545,995
Equipment Support Services	308,263	299,964
Investment income	39,323	68,130
Other revenue and contributions	36,267	36,823
Estates/bequests (Note 11)	-	9,781
	4,456,531	4,963,758
EXPENDITURES		
Recreation camp	1,553,146	1,395,218
Residential home	787,415	782,789
Equipment Support Services	758,203	850,344
General administration	551,991	496,115
Fundraising campaigns and events	543,633	755,379
Amortization	518,622	558,216
Contributions to registered charitable organizations	92,906	130,281
Public education	10,467	18,075
	4,816,383	4,986,417
DEFICIENCY OF REVENUE OVER EXPENDITURES FROM OPERATIONS	(359,852)	(22,659)
UNREALIZED LOSS ON INVESTMENTS	(61,116)	(27,451)
DEFICIENCY OF REVENUE OVER EXPENDITURES	\$ (420,968)	\$ (50,110)

EASTER SEALS ALBERTA SOCIETY
Statement of Financial Position
October 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash (Note 3)	\$ 230,428	\$ 366,346
Short term investments (Note 4)	1,412,936	1,766,100
Accounts receivable	215,174	202,351
Prepaid expenses	103,862	99,295
	1,962,400	2,434,092
PROPERTY AND EQUIPMENT (Note 5)	7,579,092	7,945,139
LONG TERM INVESTMENTS (Note 6)	30,873	361
	\$ 9,572,365	\$ 10,379,592
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 242,796	\$ 259,448
Source deductions payable	25,167	21,928
Deferred provincial contributions (Note 7)	26,870	31,532
Current portion of deferred capital contributions (Note 8)	509,777	545,995
	804,610	858,903
EXTERNALLY RESTRICTED CONTRIBUTIONS (Schedule 1)	874,323	885,402
DEFERRED CAPITAL CONTRIBUTIONS (Note 8)	6,863,528	7,184,415
	8,542,461	8,928,720
COMMITMENTS (Note 9)		
NET ASSETS		
Stabilization reserve (Note 10)	590,000	590,000
Investment in property and equipment	205,787	214,729
Estates/ bequests contributions internally restricted (Note 11)	129,117	541,143
Endowment (Note 12)	105,000	105,000
	1,029,904	1,450,872
	\$ 9,572,365	\$ 10,379,592

ON BEHALF OF THE BOARD

 Director
 Director

EASTER SEALS ALBERTA SOCIETY
Statement of Changes in Net Assets
Year Ended October 31, 2018

	Stabilization reserve fund	Investment in property and equipment fund	Estates/ bequests contributions internally restricted fund	Endowment fund	Unrestricted net assets	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 590,000	\$ 214,729	\$ 541,143	\$ 105,000	-	\$ 1,450,872	\$ 1,500,982
Deficiency of revenue over expenditures	-	(8,845)	-	-	(412,123)	(420,968)	(50,110)
Transfers (<i>Note 11</i>)	-	-	(412,026)	-	412,026	-	-
Investment in property and equipment	-	(97)	-	-	97	-	-
NET ASSETS - END OF YEAR	\$ 590,000	\$ 205,787	\$ 129,117	\$ 105,000	-	\$ 1,029,904	\$ 1,450,872

EASTER SEALS ALBERTA SOCIETY**Statement of Cash Flow****Year Ended October 31, 2018**

	2018	2017
OPERATING ACTIVITIES		
Cash receipts from donors, clients and government	\$ 4,070,863	\$ 4,609,152
Cash paid to suppliers	(2,205,783)	(2,371,727)
Cash paid to employees	(2,109,962)	(2,084,987)
Cash flow (used by) from operating activities	(244,882)	152,438
INVESTING ACTIVITIES		
Purchase of property and equipment	(153,280)	(264,903)
Proceeds on disposal of property and equipment	705	1,815
Purchase of short term investments	(38,461)	(68,765)
Proceeds on redemption of short term investments	300,000	151,236
Cash flow from (used by) investing activities	108,964	(180,617)
DECREASE IN CASH	(135,918)	(28,179)
CASH - BEGINNING OF YEAR	366,346	394,525
CASH - END OF YEAR (Note 3)	\$ 230,428	\$ 366,346

EASTER SEALS ALBERTA SOCIETY

Notes to Financial Statements

Year Ended October 31, 2018

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.

Included in cash and cash equivalents are amounts restricted by the Alberta Gaming and Liquor Commission.

Short Term Investments

Equity investments are carried at fair value. 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.

(continues)

EASTER SEALS ALBERTA SOCIETY

Notes to Financial Statements

Year Ended October 31, 2018

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.

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 utilized 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, 2018

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 \$89,469 in goods were donated (2017 - \$163,103).

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, the recoverability of accounts receivable and amortization of deferred capital contributions.

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

	2018	2017
Cash is comprised of the following:		
Operating account	\$ 148,560	\$ 219,714
Casino account	77,918	144,182
Petty cash	3,950	2,450
	\$ 230,428	\$ 366,346

Cash held in the casino account is restricted, as per restrictions set forth by the Alberta Gaming and Liquor Commission. The general operating account held with CIBC has an authorized overdraft limit of \$400,000. As at October 31, 2018 this overdraft had not been drawn upon.

EASTER SEALS ALBERTA SOCIETY
Notes to Financial Statements
Year Ended October 31, 2018

4. SHORT TERM INVESTMENTS

	2018	2017
Short term investments are comprised of:		
Mutual funds	\$ 1,412,936	\$ 1,735,303
Guaranteed Investment Certificate	-	30,797
	\$ 1,412,936	\$ 1,766,100

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Camp Horizon	\$ 11,241,433	\$ (4,312,164)	\$ 6,929,269	\$ 7,338,153
Residential home	963,360	(632,411)	330,949	339,913
Equipment Support Services	163,387	(147,643)	15,744	20,408
Projects in progress	303,130	-	303,130	246,665
	\$ 12,671,310	\$ (5,092,218)	\$ 7,579,092	\$ 7,945,139

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	2018 Net book value	2017 Net book value
Buildings	\$ 9,352,041	\$ (2,855,976)	\$ 6,496,065	\$ 6,821,660
Leasehold improvements	1,169,855	(832,551)	337,304	405,199
Projects in progress	303,130	-	303,130	246,665
Equipment	1,002,036	(788,214)	213,822	222,220
Land improvements	280,259	(133,389)	146,870	159,641
Furniture	346,506	(288,390)	58,116	72,646
Automotive equipment	156,014	(134,763)	21,251	11,942
Computer software	61,469	(58,935)	2,534	5,166
	\$ 12,671,310	\$ (5,092,218)	\$ 7,579,092	\$ 7,945,139

EASTER SEALS ALBERTA SOCIETY
Notes to Financial Statements
Year Ended October 31, 2018

6. LONG TERM INVESTMENTS

	2018	2017
Long term investments are comprised of:		
Guaranteed Investment Certificate, bearing interest at 2.00% maturing on June 29, 2020.	\$ 30,512	\$ -
Shares - Sherritt Gordon	358	358
Interest - Land & mineral rights	3	3
	\$ 30,873	\$ 361

The Guaranteed Investment Certificate is externally restricted and held to support the Standby Letter of Credit for the Camp Horizon land lease (see also Note 9).

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.

7. DEFERRED PROVINCIAL CONTRIBUTIONS

Deferred provincial contributions consist of the following:

	2018	2017
Balance, beginning of year	\$ 31,532	\$ 36,677
Receipts	1,083,252	1,075,013
Disbursements	(1,087,914)	(1,080,158)
	\$ 26,870	\$ 31,532

Deferred provincial contributions are restricted to support the Equipment and Support Services program and Scholarship fund program. At the end of the year, \$24,541 (2017 - \$24,203) was restricted for Equipment and Support Services contracts and \$2,329 (2017 - \$7,329) was restricted for Scholarship funds.

EASTER SEALS ALBERTA SOCIETY
Notes to Financial Statements
Year Ended October 31, 2018

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.

	2018	2017
Balance, beginning of year	\$ 7,730,410	\$ 8,012,667
Contributed assets net of disposals	152,672	263,738
Amounts amortized to revenue	(509,777)	(545,995)
Balance, end of year	7,373,305	7,730,410
Amounts included in current liabilities	(509,777)	(545,995)
Amounts included in long term liabilities	\$ 6,863,528	\$ 7,184,415

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, 2029. 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:

2019	\$ 121,026
2020	72,310
2021	38,886
2022	10,351
2023	8,485
Thereafter	<u>7,529</u>
	\$ 258,587

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 (2017 - \$590,000) was determined to represent a normalized figure of the average direct costs of the Society over the past five years.

EASTER SEALS ALBERTA SOCIETY

Notes to Financial Statements

Year Ended October 31, 2018

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 (2017- \$9,781) were received during the year.

12. ENDOWMENT FUNDS

	2018	2017
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:

	2018	2017
Residential home	\$ 747,650	\$ 752,194
Equipment Support Services	308,263	299,964
Employment grants	70,909	91,273
	\$ 1,126,822	\$ 1,143,431

EASTER SEALS ALBERTA SOCIETY

Notes to Financial Statements

Year Ended October 31, 2018

14. RELATED PARTY TRANSACTIONS

Included in fundraising campaigns and events expense during the year are \$92,906 (2017 - \$109,329) paid to Easter Seals Canada for administrative and licensing fees. Easter Seals Alberta is a licensed member of Easter Seals Canada. As a part of the license agreement, Easter Seals Alberta pays a fee to use the branding and a shared cost amount for federal fundraising events. The transactions are in the normal course of operations and recorded at the exchange amount.

15. CHARITABLE FUNDRAISING ACT (ALBERTA)

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

	2018	2017
Fundraising campaigns and events	\$ 1,469,961	\$ 2,110,701
Gaming revenues	138,868	135,592
Total amount paid as remuneration to employees of the organization whose principal duties involved fundraising	193,694	290,941

16. PENSION PLAN

	2018	2017
Employer contributions expensed during current year	\$ 37,818	\$ 43,589
Estimated value of plan	958,387	1,185,240
Total active members	29	30

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:

	2018	2017
General administration	52% \$ 176,147	60% \$ 256,408
Equipment Support Services	33% 112,017	26% 112,297
Residential home	10% 35,073	8% 34,347
Fundraising campaigns	5% 17,383	6% 24,621
	\$ 340,620	\$ 427,673

EASTER SEALS ALBERTA SOCIETY

Notes to Financial Statements

Year Ended October 31, 2018

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, 2018. 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.

19. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

EASTER SEALS ALBERTA SOCIETY
Schedule of Externally Restricted Contributions
Year Ended October 31, 2018

(Schedule 1)

	Equipment and Support Services North	Camp Horizon	Camp Redevelop- ment	McQueen Group Home	Equipment and Support Service South	Casino	2018	2017
Opening	\$ 10,845	\$ 127,192	\$ 471,675	\$ 91,555	\$ 54,178	\$ 129,957	\$ 885,402	\$ 1,072,527
Receipts	126,386	120,462	178,401	6,945	42,334	91,351	565,879	622,284
Disbursements	(46,949)	(134,376)	(131,519)	(59,316)	(53,264)	(151,534)	(576,958)	(809,409)
	\$ 90,282	\$ 113,278	\$ 518,557	\$ 39,184	\$ 43,248	\$ 69,774	\$ 874,323	\$ 885,402

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

The Equipment and Support Services (North and South), 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 will be included as deferred capital contributions in Note 8 when utilized in accordance with the agreements. Casino contributions are restricted as per restrictions set forth by the Alberta Gaming and Liquor Commission.