

EPILEPSY ONTARIO
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

Independent Auditor's Report	Page 1
Balance Sheets	2
Statements of Operations	3
Schedules of Fund-Raising Activities	4
Statements of Changes in Net Assets	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 to 12



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS AND DIRECTORS OF EPILEPSY ONTARIO

Report on Financial Statements

We have audited the accompanying financial statements of Epilepsy Ontario, which comprise the balance sheets as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations, 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 audits 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 similar organizations, Epilepsy Ontario derives revenues from fund-raising events and 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 Epilepsy Ontario and we were not able to determine whether any adjustments might be necessary to revenues, excess (deficiency) of revenues 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, if any, these financial statements present fairly, in all material respects, the financial position of Epilepsy Ontario as at December 31, 2012, December 31, 2011 and January 1, 2011 and its financial performance 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.

Report on Other Legal and Regulatory Requirements

In accordance with the Corporations Act (Ontario), we report that the Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Clarke Henning LLP

CHARTERED ACCOUNTANTS
Licensed Public Accountants

Toronto, Ontario
May 23, 2013




EPILEPSY ONTARIO

BALANCE SHEETS

AS AT DECEMBER 31, 2012, DECEMBER 31, 2011 AND JANUARY 1, 2011

	December 31, 2012	December 31, 2011	January 1, 2011
ASSETS			
Current assets			
Cash and cash equivalents (note 3)	\$ 604,799	\$ 777,770	\$ 731,939
Sundry receivables	81,682	42,153	27,731
Prepaid expenses	18,380	6,326	14,264
	704,861	826,249	773,934
Capital assets (note 4)	-	822	1,644
	704,861	827,071	775,578
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities (note 5)	57,672	171,539	137,608
Deferred revenue	10,000	-	-
	67,672	171,539	137,608
NET ASSETS			
Donor Designated Fund			
The William Donald Willis Epilepsy Research Fund (note 1)	400,000	400,000	400,000
Internally Restricted Fund			
Contingency reserve fund (note 1)	100,000	100,000	100,000
Unrestricted net assets	137,189	155,532	137,970
	637,189	655,532	637,970
	\$ 704,861	\$ 827,071	\$ 775,578

Approved on behalf of the Board:

 , Director

 , Director

EPILEPSY ONTARIO

STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Revenues		
Donations and bequests	\$ 107,679	\$ 150,275
Program revenue	19,074	36,894
Government grants	13,162	15,197
Interest and miscellaneous income	5,246	23,449
	<u>145,161</u>	<u>225,815</u>
Fund-raising revenues (<i>Schedule</i>)	492,916	495,339
Donations - direct mail campaign (<i>note 6</i>)	-	203,704
	<u>638,077</u>	<u>924,858</u>
Expenses		
Programs and education	250,590	287,956
Salaries and benefits	69,298	95,471
Professional fees	37,793	43,264
Other expense	14,160	22,053
Telephone	1,704	2,415
Office equipment	8,583	5,657
Meetings and travel	1,118	843
Office supplies	3,436	107
Insurance	4,186	3,949
Depreciation	822	822
	<u>391,690</u>	<u>462,537</u>
Fund-raising expenses (<i>Schedule</i>)	264,730	278,831
Direct mail campaign expenses (<i>note 6</i>)	-	165,928
	<u>656,420</u>	<u>907,296</u>
Total expenses	656,420	907,296
Excess (deficiency) of revenues over expenses for the year	\$ (18,343)	\$ 17,562

EPILEPSY ONTARIO

SCHEDULES OF FUND-RAISING ACTIVITIES

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
GAMING		
Revenue		
Provincial Nevada	\$ 387,729	\$ 409,390
Bingo and other	74,356	76,227
	<u>462,085</u>	<u>485,617</u>
Expenses		
Operations	228,729	228,141
Donations to Chapters	29,787	47,172
	<u>258,516</u>	<u>275,313</u>
Net revenue for the year	<u>203,569</u>	<u>210,304</u>
SPECIAL EVENTS		
Revenue	30,831	9,722
Expenses	6,214	3,518
Net revenue for the year	<u>24,617</u>	<u>6,204</u>
TOTAL		
Fund-raising revenues	492,916	495,339
Fund-raising expenses	264,730	278,831
Net revenues from fund-raising activities for the year	<u>\$ 228,186</u>	<u>\$ 216,508</u>

EPILEPSY ONTARIO

STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2012 AND 2011

				Total	
	Contingency Reserve Fund	The William Donald Willis Epilepsy Research Fund	Unrestricted	2012	2011
Balance - at beginning of year	\$ 100,000	\$ 400,000	\$ 155,532	\$ 655,532	\$ 637,970
Excess (deficiency) of revenues over expenses for the year	-	-	(18,343)	(18,343)	17,562
Balance - at end of year	\$ 100,000	\$ 400,000	\$ 137,189	\$ 637,189	\$ 655,532

EPILEPSY ONTARIO

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Cash flows from operating activities		
Cash received from general contributions	\$ 117,679	\$ 150,275
Cash received from miscellaneous programs	19,074	53,258
Cash received from fund-raising activities	423,921	495,339
Cash received from direct mail campaign donations	12,209	201,199
Cash received from government grants	13,162	15,197
Interest received	5,246	7,086
Cash paid for programs and to employees and suppliers	(240,097)	(447,080)
Cash paid for fund-raising activities	(414,165)	(275,545)
Cash paid for direct mail campaign	(110,000)	(153,898)
Change in cash and cash equivalents during the year	(172,971)	45,831
Cash and cash equivalents - at beginning of year	777,770	731,939
Cash and cash equivalents - at end of year	604,799	777,770
Cash and cash equivalents is represented by:		
Cash	158,061	266,981
Short term deposits	446,738	510,789
	\$ 604,799	\$ 777,770

EPILEPSY ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

Epilepsy Ontario (the "Organization") is the voice of epilepsy in the province. Epilepsy Ontario is a non-governmental health organization dedicated to promoting independence and optimal quality of life for children and adults living with seizure disorders.

Through a network of local agencies, contacts and associates, across the province, Epilepsy Ontario reaches out to people with epilepsy and their loved ones. Epilepsy Ontario does this by providing client services including counselling and referrals, information, education and advocacy services.

Epilepsy Ontario is a not-for-profit organization incorporated under the laws of the Province of Ontario as a corporation without share capital. It is registered as a charitable organization under the Income Tax Act (Canada) ("Act") and, as such, is generally exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, Epilepsy Ontario must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations. These standards are in accordance with Canadian generally accepted accounting principles and include the following accounting policies:

Basis of Presentation

General

These financial statements present the financial position and results of operations of Epilepsy Ontario. They do not include any assets, liabilities, revenues or expenses of any individual Chapters or the national and other provincial organizations, which are separately incorporated and operated.

The William Donald Willis Epilepsy Research Fund

The William Donald Willis Epilepsy Research Fund is a donor designated fund to be used to fund research for finding a cure for epilepsy.

Contingency Reserve Fund

The Contingency Reserve Fund is a Board designated reserve fund to provide for extraordinary expenses that exceed or fall outside of the provisions of Epilepsy Ontario's operating budget and to fund the Organization's obligations in extreme circumstances including the wind-up costs of the Organization, if necessary, as determined and approved by the Executive Committee. Any excess funds are to be used for epilepsy research in Ontario.

Financial Instruments

Epilepsy Ontario initially measures its financial assets and liabilities at fair value. Epilepsy Ontario subsequently measures all its financial assets and liabilities at amortized cost.

Financial assets and liabilities measured at amortized cost include cash and cash equivalents, sundry receivables and accounts payable and accrued liabilities.

Cash and Cash Equivalents

Cash and cash equivalents consists of balances with banks and short-term deposits, which are readily convertible into cash, are not subject to significant risk of change in value and have a maturity date of six months or less from the date of acquisition.

EPILEPSY ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Short Term Deposits

Short term deposits are comprised of guaranteed investment certificates and are recorded at cost plus accrued interest.

Capital Assets

Capital assets are recorded at cost less accumulated depreciation. Depreciation is provided over their estimated useful lives, on a straight line basis at the following annual rates:

Office furniture and equipment	-	20%
Computer equipment	-	25%
Computer software	-	33 $\frac{1}{3}$ %
Website	-	33 $\frac{1}{3}$ %

The above rates are reviewed annually to ensure they are appropriate. Any changes are adjusted for on a prospective basis. If there is an indication that the assets may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount. There were no impairment indicators in 2012 and 2011.

Revenue Recognition

Contributions

Epilepsy Ontario follows the deferral method of accounting for contributions which include donations, government grants and other contributions.

Operating grants are recorded as revenue in the year in which the related expenses are incurred. Grants approved, but not received, at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

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

Fund-Raising Revenues and Expenses

Revenues and expenses from fund-raising events are recorded in the period in which the event takes place.

Donations

Donations and bequests are recorded when received. Donated goods and services are not recorded in the accounts, except when they are used in the normal course of business and when a fair value for such goods and services can be readily determined.

Other

Program revenue is recognized when the services are provided to clients. Interest and miscellaneous income is recorded as earned.

Contributed Services

Volunteers contribute significant amounts of time to assist the Organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

EPILEPSY ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of Expenses

The Organization promotes independence and optimal quality of life for children and adults living with seizure disorders and engages in education, programs, research, fund-raising and other activities. The cost of programs and education include direct salaries and benefits and other expenses that are directly related to providing the programs. The Organization also incurs general and administrative support expenses that are common to the administration and programs.

The Organization allocates certain general support expenses to programs and education and fund-raising as follows:

- Human Resources : Proportionately on the same basis as the direct salaries and benefits of the program
- Occupancy : Based of space occupied by the personnel
- Other operating expenses : Various methodologies are used - number of employees, usage by programs, etc.

Use of Estimates

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 amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these and other estimates, the impact of which would be recorded in future periods.

2. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

Effective January 1, 2012, Epilepsy Ontario adopted the requirements of the Canadian Institute of Chartered Accountant's Handbook and has adopted Canadian Accounting Standards for Not-for-Profit Organizations ("NPO Standards"). This accounting framework is in accordance with Canadian generally accepted accounting principles. These are the first financial statements prepared in accordance with this framework which has been applied retrospectively. The accounting policies set out in the summary of significant accounting policies have been applied in preparing the financial statements as at December 31, 2012 and for the year then ended and the comparative information presented in these financial statements as at December 31, 2011 and for the year then ended and in the preparation of an opening balance sheet at January 1, 2011.

Epilepsy Ontario previously issued financial statements for the year ended December 31, 2011 using CICA Handbook Part V Pre-Changeover Accounting Standards which are the standards applied by Epilepsy Ontario prior to its adoption of NPO Standards. The adoption of NPO Standards had no impact on the previously reported assets, liabilities and net assets of Epilepsy Ontario, and accordingly, no adjustments were required in the comparative balance sheets, statements of operations, changes in net assets and cash flows. Certain of the comparative presentation and disclosures included in the notes to these financial statements reflect the new presentation and disclosure requirements of NPO Standards.

EPILEPSY ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include restricted cash in the amount of \$113,739 at December 31, 2012 (\$134,770 at December 31, 2011 and \$128,625 at January 1, 2011) to be used in accordance with the license agreement with Alcohol and Gaming Commission of Ontario.

4. CAPITAL ASSETS

Details of capital assets are as follows:

	Cost	Accumulated Depreciation	Net Book Value		
			December 31, 2012	December 31, 2011	January 1, 2011
Office furniture and equipment	\$ 1,146	\$ 1,146	\$ -	\$ -	\$ -
Computer equipment	25,355	25,355	-	822	1,644
Computer software	2,094	2,094	-	-	-
Website	14,746	14,746	-	-	-
	<u>\$ 43,341</u>	<u>\$ 43,341</u>	<u>\$ -</u>	<u>\$ 822</u>	<u>\$ 1,644</u>

5. GOVERNMENT REMITTANCES

Accounts payable and accrued liabilities include government remittances totalling \$1,300 at December 31, 2012 (\$280 at December 31, 2011 and \$290 at January 1, 2011).

6. AGREEMENT WITH QUADRIGA ART, INC.

During 2007, the Organization entered into a five year agreement with Quadriga Art, Inc. ("Quadriga") to build a direct mail fund-raising program for the benefit of the Organization. Under the terms of the agreement:

- i) Quadriga served as a financial backer and manager of the program, paid all program expenses and assumed all financial risk.
- ii) Proceeds from the program were used initially to pay back all program expenses paid by Quadriga.
- iii) Once the program reaches a break even point, and all obligations to Quadriga are current, all proceeds become available for the exclusive use of the Organization.
- iv) In the event that the program does not generate positive income, Quadriga assumes responsibility for all liabilities that carry-over beyond the contract period.

During 2012, the Organization and Quadriga terminated the agreement and all amounts payable to Quadriga has been settled and reflected in the financial statements for the year ended December 31, 2011. The termination of the agreement had no impact on the operating results of the Organization for the year ended December 31, 2012.

EPILEPSY ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

7. ALLOCATION OF EXPENSES

The programs and education expenses reported in the Statement of Operations include allocation of salaries and benefits of \$144,883 (\$137,736 in 2011) and general support expenses of \$47,982 (\$58,344 in 2011).

8. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure at the balance sheet date.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is not exposed to significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable. The Organization expects to meet these obligations as they come due by generating sufficient cash flow from operations.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is not exposed to currency, interest rate or price risks.

9. COMMITMENTS

The Organization is committed to pay minimum annual payments for premises and equipment under operating leases expiring from July 2014 to July 2017, as follows:

	<i>Premises</i>	<i>Equipment</i>	<i>Total</i>
2013	\$ 44,632	\$ 5,622	\$ 50,254
2014	44,632	4,007	48,639
2015	33,589	676	34,265
2016	18,129	-	18,129
2017	10,575	-	10,575
	<u>\$ 151,557</u>	<u>\$ 10,305</u>	<u>\$ 161,862</u>

In addition, the Organization is committed to pay its proportionate share of taxes, utilities and operating costs of the premises which, in 2012, amounted to approximately \$26,000 (\$29,000 in 2011).

The minimum rental payments for the premises include Organization's new and old locations. The lease for the old location expires on July 31, 2015 and the commitments above include minimum payments under that lease. The old location is sub-leased at a base annual rental of \$25,475 plus operating costs.

EPILEPSY ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

10. GUARANTEES AND INDEMNITIES

The Organization has indemnified its past, present and future directors, officers and volunteers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding, subject to certain restrictions, in which they are sued as a result of their involvement with the Organization, if they acted honestly and in good faith with the best interest of the Organization. The Organization has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits and actions, but there is no guarantee that the coverage will be sufficient should any action arise.

In the normal course of business, the Organization has entered into agreements that include indemnities in favour of third parties, either express or implied, such as in service contracts, lease agreements or sales and purchase contracts. In these agreements, the Organization agrees to indemnify the counterparties in certain circumstances against losses or liabilities arising from the acts or omissions of the Organization. The terms of these indemnities are not explicitly defined and the maximum amount of any potential liability cannot be reasonably estimated.