

2003

Annual Report

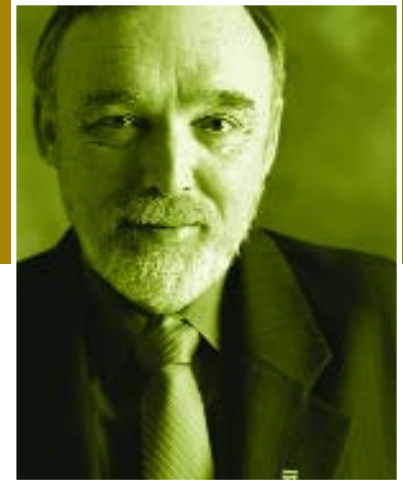


ESAO
The EDUCATION
SAFETY ASSOCIATION
of ONTARIO

Table of Contents

From the Executive Director	1
From the Chair of the Board	2
Our Board of Directors	3
ESAO: the Past... ..and the Present	4
Our Business Model	6
Funding Details...	7
Achieving our Mission	8
Our Training Courses	10
New, Old and the Future	12
Audited Financial Statements	14

from the Executive Director



In years to come we will all look back at 2003 in one of two ways – either as one more year in the steady progression of ESAO as it becomes the organization that everyone hoped it would, or, as the high-water point, in terms of product and services development, of an organization that was slowly strangled by funding cuts and lack of support.

By any measure, 2003 was the year in which we showed what we could do – we launched several new Resource Books, five new workshops, four videos, four new CDs, hired a Field Consultant to deal specifically with our francophone clients, provided many new free products on our web site, released WHMIS and Consumer products posters in Cree and Ojibway, started a free Safety Group program for Ontario universities ... and the list goes on. We continued to charge only recovery cost for our printed material, virtually all of which is available in both official languages, and we continued to provide most of our services to our clients at no cost.

But during the budget presentations in the fall of 2003, the writing was already on the wall. Funding cuts were coming, and the pressure was on to force us to turn to revenue generation in order to offset those cuts from the WSIB. Our clients are almost all funded by tax dollars – any increase in our costs would force them to ask for increased funding, make cuts in other areas, or simply do without effective and cost-efficient products that could make a difference in their workplaces.

Many of our costs are fixed – salaries, rent, insurance, benefits, etc. When our budget is cut, the cuts become real in program development. And our clients suffer.

This Annual Report celebrates some of the successes of 2003, but it also suggests that the future is not at all certain. We continue to make progress in reducing the number of WSIB claims arising from our sector, but we do it by providing our clients with the tools to use in the education workplaces of Ontario. I think we should all be concerned about ESAO's continued ability to support the efforts of the client firms that have been supporting us.

2003 was successful because of the excellent support of our Board of Directors, our staff and our volunteers. I would like to take this opportunity to thank them, and to encourage them as we move into an uncertain future.

Yours truly,

A handwritten signature in black ink, appearing to read 'D. Barratt'.

Dwight Barratt, Executive Director



from the Chair of the Board

ESAO has been in place for five years. We are not 'brand new' anymore. I believe that we have established a valued presence in the education, library and museum sector as a reliable source of high quality, effective health and safety training and reference material uniquely tailored for the needs of our sector. Recognizing the perennial concern about funding within the sector we chose, from the beginning, to charge our customers only what it cost us to produce the programs. The funding that we receive through the WSIB pays administrative and operational costs. Our choice is quite a different strategy compared to some of our sister safety associations. Unlike most associations which have a combination of private and public sector employers, employers in our sector depend to greater and lesser degrees on tax based funding. The ESAO Board is of the view that it is zero sum whether we charge to produce revenue or depend on WSIB funding. It all comes from the same place. However, perhaps, if we had priced our products more competitively we would not be facing the financial difficulties we are this year.

Our funding from WSIB was reduced this year by approximately 5%, which will hamper our ability to create new programs. As, I'm sure, you know the new government has initiated an extensive audit of the WSIB and we are hopeful that accident prevention will surface as a high priority for the future. Our fate this year has been shared by other safety associations but those with a revenue generating strategy are affected less in relative terms.

Our analysis suggests another funding concern that is more troublesome as it is much longer term in its effect. Schedule 1 employers, those that have regular WSIB premiums fund the WSIB system on an insurance basis. Schedule 2 employers do not have regular premiums but pay only the cost of actual claims incurred. Regardless of the strengths and weaknesses of the two systems a considerable disparity is created in the contributions from each that goes toward the funding of prevention and the funding of ESAO. Schedule 1 employers in our sector, primarily universities, some school boards and libraries contribute a disproportionately high cost for prevention services and, for the most part, use ESAO's services relatively less than Schedule 2 employers, primarily large school boards.

Our Board will continue to press for more fairness in the funding model with WSIB. However, I think this fairness should be a priority for everyone in our sector who cares about the health and safety of employees and students. ESAO exists so that all people in the Education Sector work safely. That is our commitment and we take it seriously.

Notwithstanding our challenges, ESAO had a successful and productive year which, I'm sure, will be obvious to you as you read this Annual Report. I would like to thank all of our management, employees, customers and especially volunteers who have worked hard to make ESAO a success.

Harold Leece, Chair, Education Safety Association of Ontario

our Board of Directors



Tom Chan



Jean-Guy Démoré



Doug Hitchcock



Clark Campbell



Cynthia Mearns



Jim Talbot



Emily Kathleen Farrell



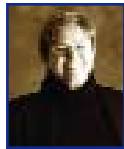
Malen Ng



Michel Parisien



Susan Soldan



Virginia Hatch Stewart



Elizabeth Mathewson



Herman Proper

The members of our Board of Directors are drawn primarily from firms that are in the education sector, and are insured through the Workplace Safety and Insurance Board (WSIB) of Ontario. Our Bylaw requires that each member of our Board, at the time of their appointment, be employed by a firm in rate group 810 or 817, or by a Schedule 2 firm assigned to ESAO. The exceptions to this are the members assigned to our Board from the WSIB, and the Executive Director of the Association.

ESAO has adopted the Policy Governance model. It is a model that involves the creation of policies for governing an organization under the leadership of the Board, and is recognized as a highly effective approach to governing not-for-profit organizations.

Our Board consists of not more than 14 members, which includes 11 voting directors, two ex-officio voting directors nominated by the WSIB, and one ex-officio non-voting director, who is the Executive Director of the corporation.

Each director serves for a three-year term, and cannot serve for more than two consecutive terms. During each year the terms of some of the directors expire, and, at the Annual Meeting, new directors are elected. This rotating Board provides an appropriate balance of experience and renewal. During 2003 Tom Chan, from the WSIB, stepped down from the Board. Michel Parisien, from the Conseil scolaire public du Nord Est du L'Ontario, joined the Board.

The nominating committee of the Board strives to ensure that the Board is representative of the stakeholders in the corporation, and that all candidates for election to the Board are individuals who will act with a view to the best interests of the corporation as a whole.

In 2003 the Board met quarterly, as well as attending the Conference and the Annual Meeting of Members.

ESAO:

the Past...

The Past

The Education Safety Association of Ontario was incorporated and designated as an entity receiving funding by the WSIB in December of 1997, and began operations during 1998. Our founding Board of Directors set the future course for ESAO – we would exist for the purpose of assisting our clients in their efforts to reduce, and eventually eliminate, incidents in the workplace that lead to injury, occupational disease and death.

The Vision Statement written by the founding Board is: **People working safely in the safest and healthiest workplaces in the world.** That vision continues to direct our efforts.

Our Mission, the statement that motivates us on a day-to-day basis, is: **To inspire people in the education sector to work safely by providing innovative programs and services.** Our clients, the people in the education sector, come from six groups – schools, colleges, universities, libraries, art centers and museums – that are an essential part of every community in Ontario.

The Present

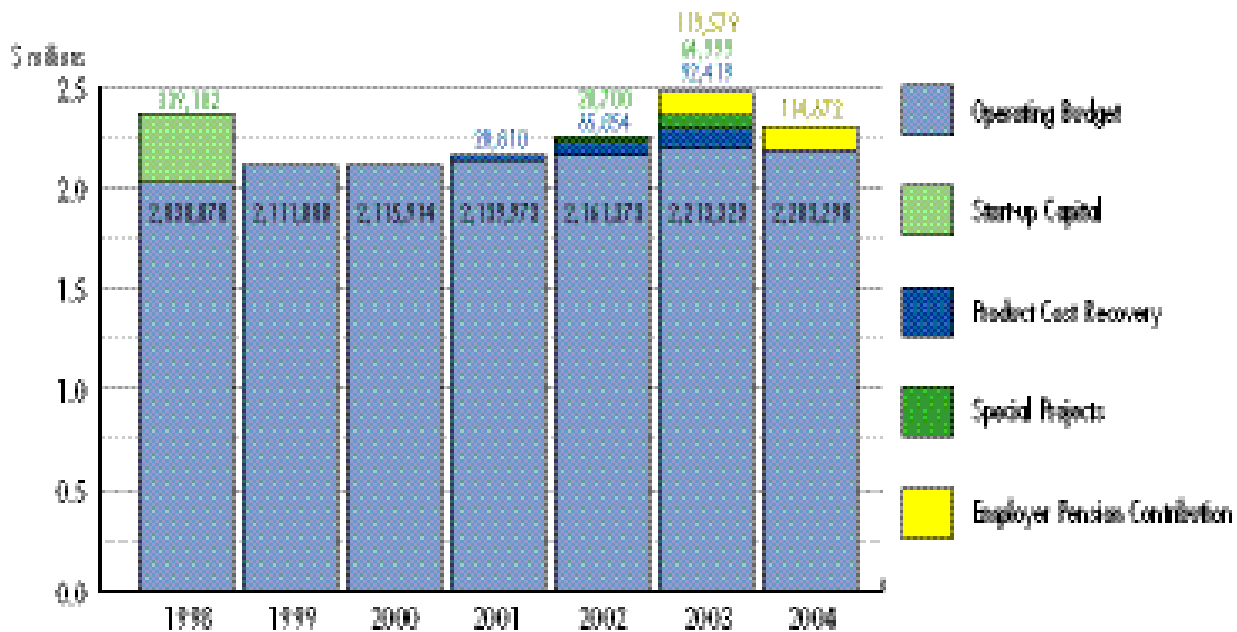
The achievement of our mission is directly linked to the level of financial support we receive. While our funding starts with our clients, it flows through the WSIB, who has a legal responsibility for financial oversight for all of the designated entities. While we submit budget proposals to the WSIB, the Prevention Division is solely responsible for determining the final level of funding that we receive.

Our first budget was submitted by the founding Board and approved by the WSIB before the organization had products, offices or even staff. It was for the 1998 calendar year, and included some capital funding for new equipment. Since 1999, through five years of budget requests, reviews and allocations, our operating budget has increased by a total of 4.8%. The actual funding amounts are shown on the graph on the next page.

... and the Present

Since 1998 we have attempted to develop products and services that our clients would use and value - unless we are actually helping, we are in the way. Since 2001 we have reported on the level of product sales – partly to account for the additional revenue, and partly to indicate that our products are being increasingly recognized for their quality and value with each passing year.

During 2003, the contribution holiday to the pension plan for the WSIB and Safe Workplace Associations ended. When these contributions had been suspended, the employer portion of the pension contributions had been removed from all Safe Workplace Association budgets. With the end of the contribution holiday in mid-2003, these funds were restored, and this amount (\$ 119,579 in our case) is indicated on the graph below. Since these funds essentially flow through the Association, they cannot be considered as part of our operating budget.



our Business Model

The decrease in funding for 2004 is especially worrisome when viewed in the context of our business model, and it is important that our clients understand what the issues are.

Even while employment in the education sector continues to grow, and the revenue flowing into the WSIB increases, less of that money flows through the system to our budget. In 2002, the last year for which there is accurate data, the WSIB collected \$ 2,468,769 in revenue available for prevention funding from both Schedule 1 and 2 clients in the education sector. Our funding for that year was \$ 2,161,373. That means that the WSIB took in \$ 307,396 more than they provided to us, for 2002.

Our business model is based on two key principles. The first is that our clients are, and for some time have been, financially constrained. The products and services we provide must be effective and priced as reasonably as possible so that we are part of the solution rather than part of the problem. That is the reason that the majority of our services are provided at no charge to the client, and our products are priced to recover our cost (in the case of printed materials) or to fund the development of additional products (in the case of CDs). This allows us to provide products to our clients at some of the lowest prices in the prevention network.

The second principle is that we do not base any of our operating budget on revenue generation. Across the prevention network, many of the Safe Workplace Associations have embraced revenue generation as a means of offsetting the decreasing level of funding from the WSIB. What makes ESAO different is that our clients are funded from tax dollars. Our clients cannot increase the price of their products to offset price increases in our products and services. Any revenue that we might generate through the sale of products and services would come from, ultimately, the Ministry of Education, or the Ministry of Training, Colleges and Universities, for example. Our founding Board of Directors recognized this, and the principle that we cannot fund operating expenses from generated revenue was approved as a Board policy.

So, we charge only our costs for products and services, and we will continue to do this. We do not fund operating expenses from generated revenue – and we won't. And that is why the decrease in funding from the WSIB, during a time when revenue to the WSIB is increasing, is of such concern to us.

Funding Details...

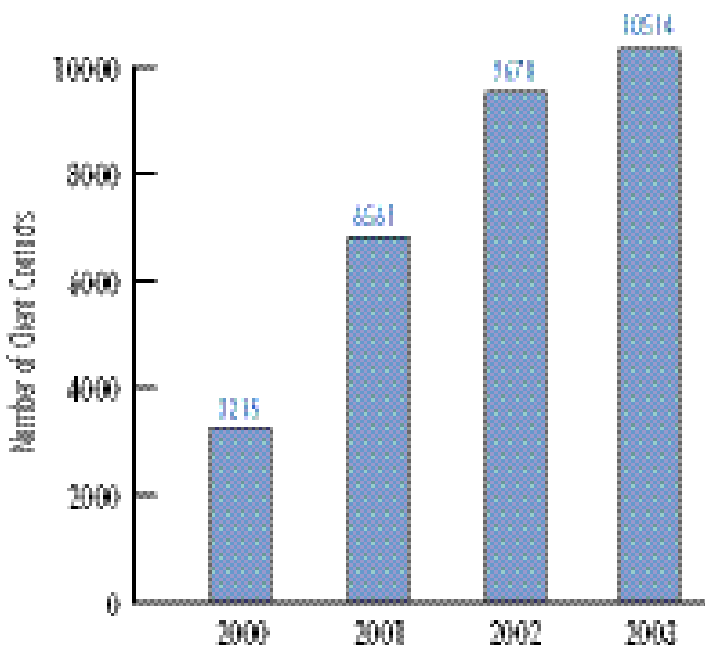
Many of our clients are not aware of the disparity between the funding provided by Schedule 1 firms and Schedule 2 firms. In 2002, the actual funding for prevention provided by Schedule 1 firms totaled \$ 2,142,080 or over 85% of the available funding. The actual funding provided by Schedule 2 firms was \$ 326,689 or just over 13% of the available funding.

ESAO has never made a point of basing client-support activities on the level of funding. That being said, it is of interest to note that those firms that consume the majority of our attention are generally the large Schedule 2 school boards – they alone account for approximately 45% of our client contacts in 2003.

The funding disparity between Schedule 1 and 2 raises questions about the funding of prevention activities in general. Schedule 1 firms pay their premiums, which include the amount available for prevention funding, in advance. They provide their portion of the prevention funding before any injuries occur, and, even in a situation where accidents have been completely prevented (and, that is the goal), there would still be funding for continued prevention.

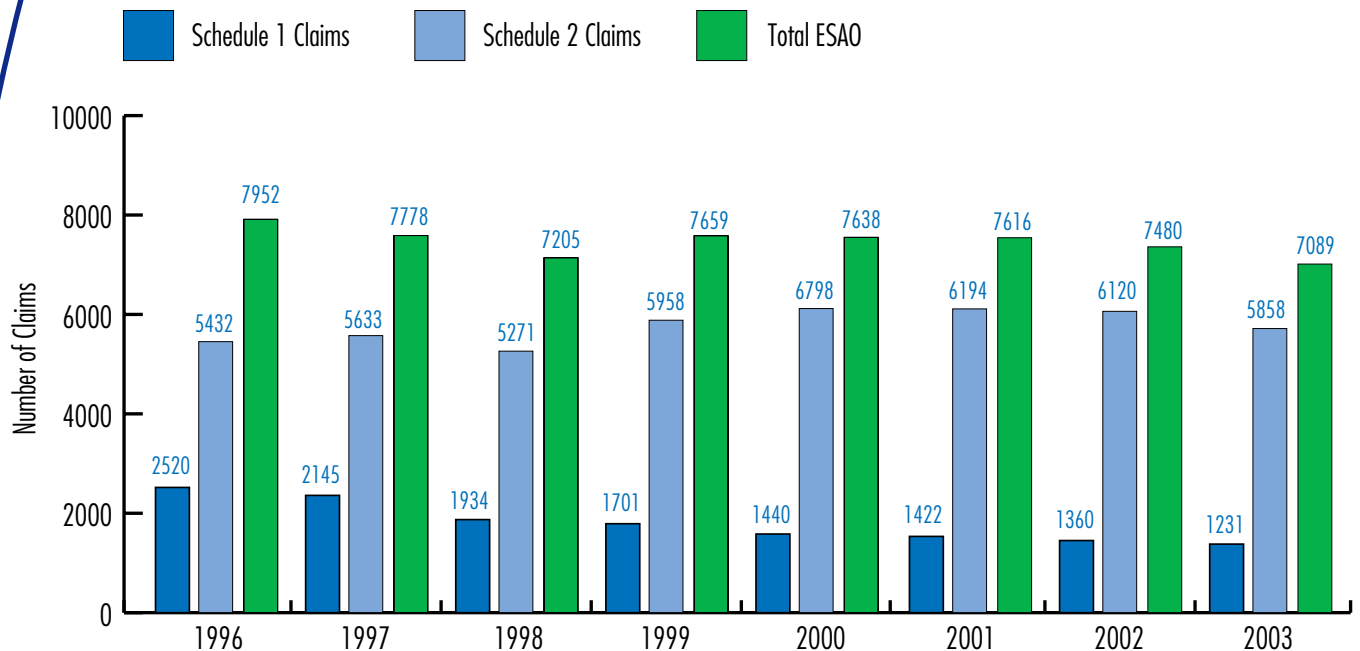
In the case of Schedule 2 firms, payments to the WSIB are made after claims have been accepted, and the amount of payment is dependent upon the costs of the claims, since it is a surcharge. So, they are paying for prevention after the injury has already happened. Should there ever be a time when no injuries occur, the funding for continued prevention would drop to zero.

ESAO believes that injury prevention is important – important enough to fund on an ongoing basis, in a way that is fair and equitable for all firms in our sector.

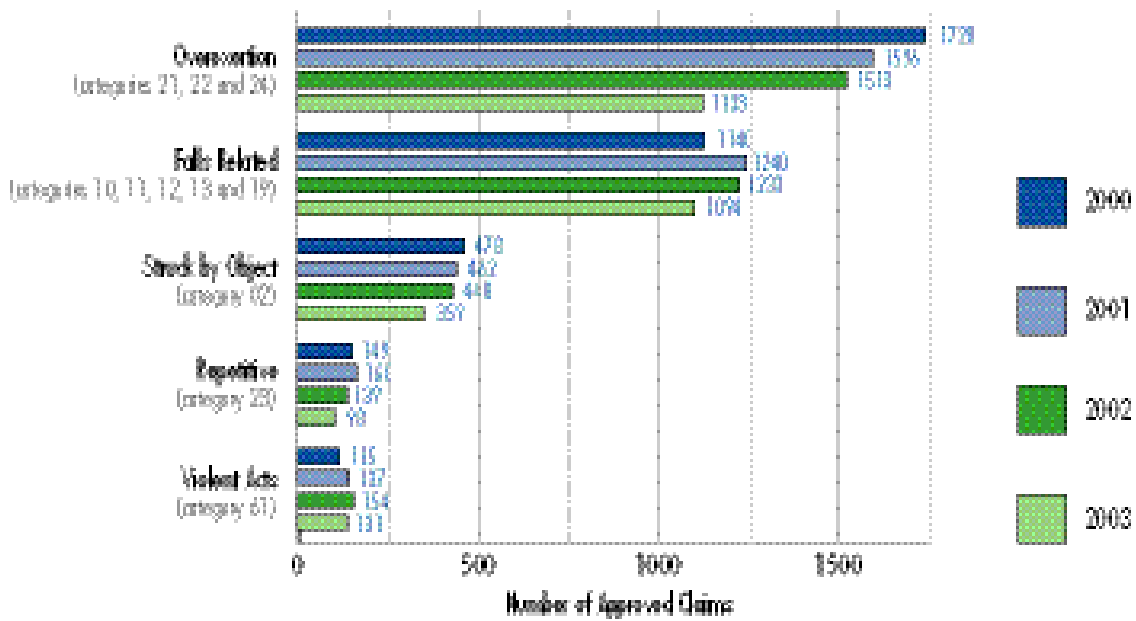


Achieving our Mission

During 2002 the WSIB provided the designated entities with access to the new EIW – a database that allows us to access claims and injury information for our clients. In previous Annual Reports we have included sector injury data, in order to allow year-to-year comparisons. In June of 2003, the WSIB realized that about 30 of our largest firms, most from Schedule 2, had never been assigned to the ESAO database. There were also some problems with the proper interpretation of the data. When these issues were resolved, the picture changed significantly. The following data is drawn from the EIW, and we are assured by the WSIB that the information is accurate and up to date. Please note that there are discrepancies between the claims numbers reported in previous Annual Reports.



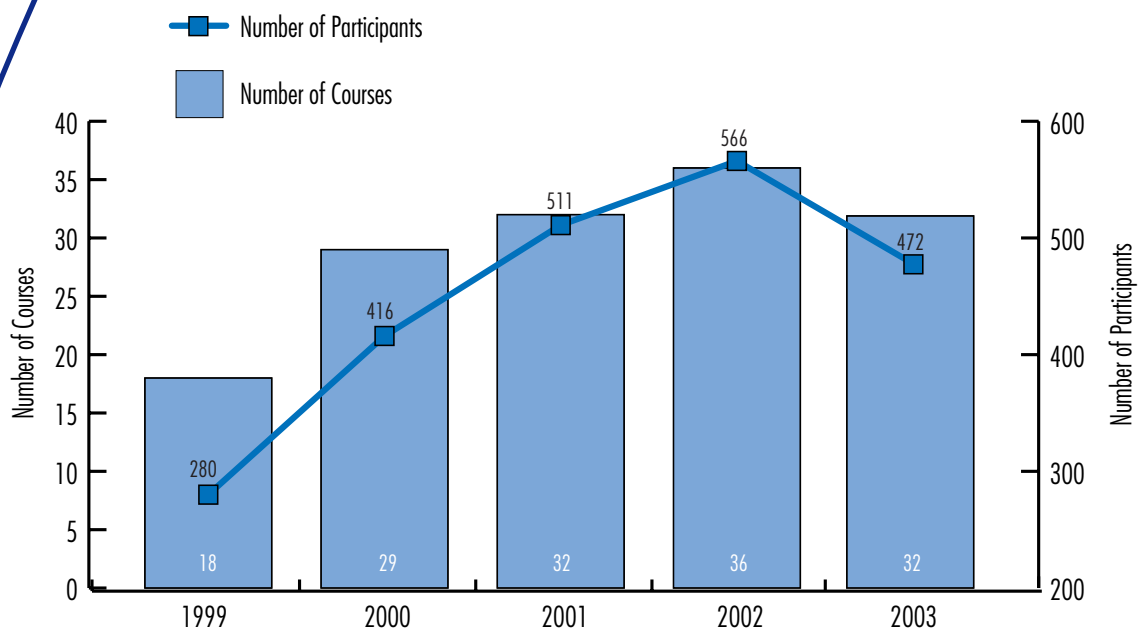
In last year's Annual Report, we reported on the five most frequent accident categories in the education sector. This data is provided again, updated to include the 2002 and 2003 information. Note that the number of claims for recent years will continue to change as additional claims are adjudicated.



The Overexertion claim numbers appear to have dropped in 2003, but those kinds of claims typically take longer to adjudicate, and this number will continue to rise over the next two years. Of concern are the claims arising from Violent Acts – this category is increasing in frequency, and is becoming a real concern in education sector workplaces. Clients who do not have a Violence Prevention Policy and Program should re-consider in the light of sector data, especially when it is generally known that claims arising from Violent Acts are only the tip of the iceberg – many incidents do not result in medical aid or lost time from work.

our Training Courses

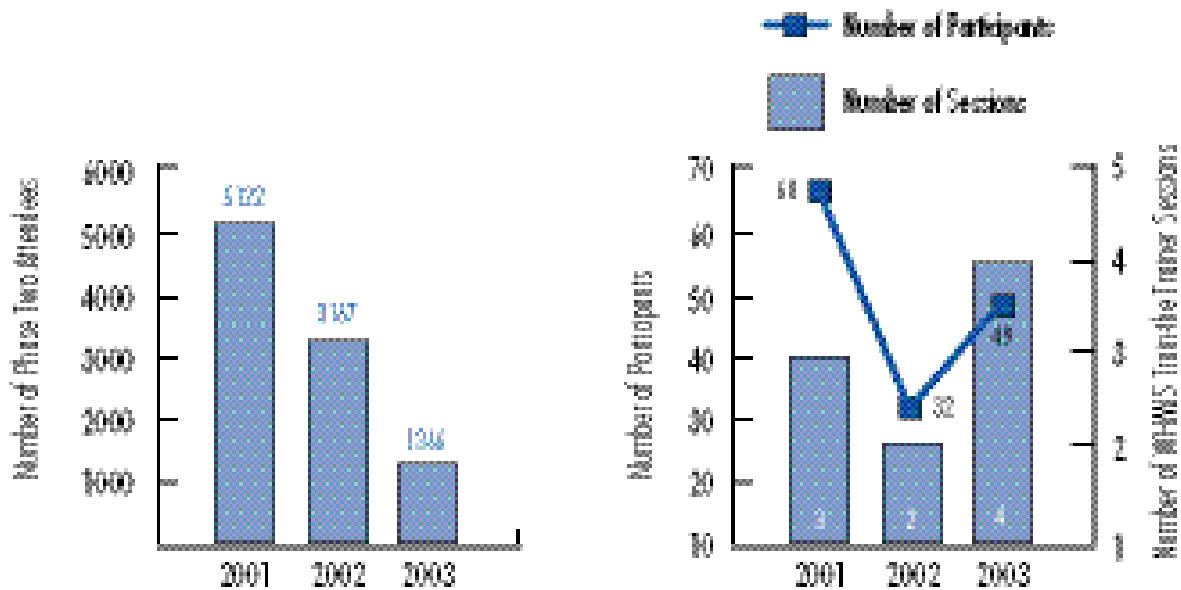
While we are not primarily a training organization, we do provide classroom training courses for employees of our clients. We limit these courses to Basic Certification, Workplace-Specific Hazard Awareness Training (Phase 2), and Train-the-Trainer courses (WHMIS).



The number of Basic Certification courses dropped in 2003, as a result of new staff coming on board at ESAO. It is beginning to look like there will be around 35 to 40 courses every year, with about 500 to 550 participants. It will be interesting to see if the increased level of retirement in the sector causes an increase in this level of training.

The number of Phase 2 courses continues to decline, and this was expected. The huge backlog of training that existed when Phase 2 was introduced in 2001 has been addressed, and the numbers are leveling off to reflect the turnover in the Certified Members of Joint Health and Safety Committees in the sector. It may take two more years to determine what the annual level of training in this area will be.

The WHMIS Train-the-Trainer course is an example of an area in which we can leverage the abilities of our clients to address their own training requirements. By providing all of the materials to provide WHMIS training, as well as instruction in adult education, we multiply our presence across the province. This gives our clients the ability to carry out WHMIS training in their own workplace, according to their own schedule. It also enables our clients to complete the training requirements by adding the workplace-specific information that is required for all training to be effective. Since 2001 ESAO has trained and equipped 149 WHMIS trainers across the province. During 2003, these trainers purchased over 800 WHMIS Participant Manuals, used in training courses delivered in their workplaces, in both English and French. In response to client requests, this program was changed from a single day to a two-day program.



During 2003 we introduced a number of workshops. Two are quite similar to the WHMIS Train-the-Trainer course in format – the Accident Investigation Workshop and the Workplace Inspection Workshop. In both cases, ESAO Field Consultants deliver the workshop in the workplace, and participants each receive a workbook (a \$5 fee per participant applies). At the conclusion of the workshop, the client receives a copy of all of the presentation material on a CD, and may purchase additional copies of the participants’ books for additional in-house training workshops. ESAO also provides Due Diligence and Violence Prevention Workshops, in standard workshop format in the workplace (with the small fee for the participants’ workbooks).

Technological advances have allowed ESAO to provide training to hundreds, even thousands, of employees over the past two years – without spending any time in front of a class. Our CDs allow individual users to review material on New Employee Health and Safety Orientation, WHMIS Essentials, Training for Educational Assistants and Contracted Services according to their own schedule, at their own pace, and to bring a certificate of completion to their supervisor. These training CDs are effective, efficient and designed especially for education sector workplaces. Some, like the WHMIS CD, require follow-up with specific workplace information in order to cover the entire topic. This is an excellent training solution for a small to medium-sized employer.

For larger employers, there is clearly a need for either a web-based or a server-based solution. This is technically complex, and may take some time. However, since late in 2003, we have been working on this project, and hope to make an announcement in 2004.

Training – classroom style, train-the-trainer, workshop, CD-based, server-based or web-based – one size does not fit all. We may not be able to put a body in as many classrooms as some clients would like, but our range of training solutions continues to grow, and for those willing to try different approaches for different topics, we have solutions. And, as always, we provide excellent solutions at very reasonable cost.

New, Old and the Future

New In 2003...

During 2003 ESAO introduced a number of new products and services. At our Conference in May, we launched four new Resource Books – Overexertion, Food Services, Principals' Due Diligence and Supervisors' Due Diligence. This brought our total number of Resource Books to 19. The new resource books are available in both French and English.

We also developed and launched several new workshops. Two of these were designed to support new Resource Books in the area of Due Diligence, and three were entirely new. The new workshops dealt with Violence Prevention, Workplace Inspection and Accident Investigation, and all workshops are available in both French and English.

We developed four new videos during 2003, including the Fume Hood Video, and three videos dealing with back injury prevention - Lifting and Your Back, Lifting Injury and Prevention, and Lifts and Transfers.

ESAO also followed up on the 2002 release of our first CD, which dealt with New Employee Health and Safety Orientation. In 2003 we completed the French- language version of that CD, as well as three new releases – WHMIS (The Essentials), Contracted Services (Employer Liability for Health and Safety and the Temporary Worker) and a CD for Educational Assistants.

2003 was a very productive year for new products and services, and we are extremely appreciative of the enthusiastic response from our clients to these initiatives. Many were developed in response to specific requests from across the province – and we have several additional items planned for release in 2004.

... and Old in 2003

2003 was not only marked by the introduction of new things, but the continuation of many things, that if not "old", are becoming at least "traditional" for ESAO.

In May of 2003 we held our fifth annual Health and Safety Conference at the International Plaza Hotel in Toronto. The theme was "Bridging the Gap", and, once again, our Conference Committee did an outstanding job in creating a wonderful opportunity for networking and learning. The Conference featured the launch of our new workshops, as well as several of our new products, and the Professional Development Seminars, the sessions and the keynotes received rave reviews from the delegates.

ESAO staff attended many of our clients' conferences during the course of the year, including the Ontario Library Association SuperConference in Toronto, the Ontario Museum Association Conference in Sault Ste. Marie, the Council of Environmental, Health and Safety Officers (Ontario Universities) fall meeting in Ottawa, Forum North in Thunder Bay and Forum East in Ottawa, the OPSBA Symposium and a host of local and regional meetings across Ontario. We believe that the more we know about our clients, the better we will be able to serve them – look for the ESAO booth at your next gathering.

The second edition of our Directions magazine was sent to the Chief Executive Officers of hundreds of our client firms in June, and the link to our quarterly newsletter was sent to thousands of clients, across Ontario and beyond.



(left to right)
Lyn Schaule
Ted Rickard
Ron White

In 2003, the universities of Ontario formed a Safety Group sponsored by ESAO – they participate in an incentive program that can generate premium rebates determined by the ongoing improvement of their health and safety program, as a group and as individual firms. Participation in the University Safety Group is at no charge to the universities, even though participation in Safety Groups in other sectors can cost up to \$1,000 per firm per year.

On the national scale, ESAO met with representatives from the Atlantic provinces to discuss the creation of an Atlantic organization to assist education sector firms in that part of Canada. We hope that this relationship develops, and look forward to sharing some of our material and experience with our Atlantic colleagues.



(left to right)
Bill Godoy
John Workman
Claude Arseneau
Annemarie Hagen

... the Future

The client contact numbers are up... the website is receiving almost a quarter million hits per month... our list of products and services continues to grow... claims from our Schedule 1 clients continue to decline... we continue to develop new ways to help our clients meet their training obligations. After six years, this sounds like good news ... and yet...

Our business model is based upon providing products and services at cost (or at a fee to allow continued product development) and we cannot fund operating costs from revenue – and our funding is being reduced by the WSIB. If the funding cuts continue, 2003 may well be the high-water mark in terms of new product development – and 2004 may see the beginning of a decline in the services we can provide.

The future will be interesting... and what form it takes is entirely up to the clients we serve. We at ESAO hope you have enjoyed this Annual Report, and we hope to continue to enjoy our relationship with you in the years ahead.

Audited Financial Statements

AUDITORS' REPORT

To the Directors of
Education Safety Association of Ontario Inc.

We have audited the statement of financial position of Education Safety Association of Ontario Inc. as at December 31, 2003 and the statements of revenue and expenses, net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Ernst & Young LLP

Thornhill, Canada,
February 27, 2004.

Chartered Accountants

Education Safety Association of Ontario Inc.

Incorporated without share capital under the laws of Ontario

STATEMENT OF FINANCIAL POSITION

As at December 31

	2003	2002
	\$	\$
ASSETS		
Current		
Cash and cash equivalents [note 3]	550,189	353,861
Accounts receivable	41,087	63,609
Due from Workplace Safety & Insurance Board	72,000	-
Prepaid expenses and safety products	29,945	37,493
Total current assets	693,221	454,963
Property, plant, and equipment, net [note 4]	58,586	93,721
	751,807	548,684
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	185,984	143,915
Deferred revenue [note 5]	165,189	35,230
Total current liabilities	351,173	179,145
Deferred revenue [note 5]	260,660	239,857
Total liabilities	611,833	419,002
Net assets		
Unrestricted	139,974	129,682
	751,807	548,684

See accompanying notes

Education Safety Association of Ontario Inc.
STATEMENT OF REVENUE AND EXPENSES

Year ended December 31

	2003	2002
	\$	\$
REVENUE		
Workplace Safety & Insurance Board		
Operating	2,011,248	2,019,551
Pension	119,579	-
Special projects	64,999	24,386
Funding for current year's expenditures from prior year's restricted excess funding	4,314	21,240
Safety products	11,864	12,301
Training, conference and safety products recoveries	307,114	327,413
Amortization of deferred revenue - property, plant and equipment	42,136	48,815
Interest and other income	8,995	6,360
	2,570,249	2,460,066
EXPENSES		
Service delivery	1,423,130	1,407,784
Employer's pension contribution	109,801	-
General and administrative	392,382	405,864
Development	367,773	325,142
Travel and Telecommunication	224,735	271,177
Amortization of property, plant, and equipment	42,136	48,815
	2,559,957	2,458,782
Excess of revenue over expenses for the year	10,292	1,284

See accompanying notes

Education Safety Association of Ontario Inc.
STATEMENT OF REVENUE AND EXPENSES

Year ended December 31

	2003	2002
	\$	\$
Unrestricted net assets, beginning of year	129,682	128,398
Excess of revenue over expenses for the year	10,292	1,284
Unrestricted net assets, end of year	139,974	129,682

See accompanying notes

Education Safety Association of Ontario Inc.
STATEMENT OF CASH FLOWS

Year ended December 31

	2003	2002
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	10,292	1,284
Add (deduct) items not involving cash		
Amortization of deferred revenue - safety products	(11,864)	-
Amortization of deferred revenue - property, plant and equipment	(42,136)	(48,815)
Amortization of property, plant and equipment	42,136	48,815
	(1,572)	1,284
Changes in non-cash working capital balances related to operations		
Accounts receivable	22,522	(19,352)
Due from Workplace Safety & Insurance Board	(72,000)	-
Prepaid expenses and safety products	7,548	10,038
Accounts payable and accrued liabilities	42,069	(61,190)
Deferred revenue	197,761	57,810
Cash provided by (used in) operating activities	196,328	(11,410)
INVESTING ACTIVITIES		
Purchase of property, plant, and equipment	(7,001)	(54,785)
Cash used in investing activities	(7,001)	(54,785)
FINANCING ACTIVITIES		
Deferred revenue related to property, plant and equipment	7,001	54,785
Cash provided by financing activities	7,001	54,785
Net increase (decrease) in cash and cash equivalents during the year	196,328	(11,410)
Cash and cash equivalents, beginning of year	353,861	365,271
Cash and cash equivalents, end of year	550,189	353,861

See accompanying notes

Education Safety Association of Ontario Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

1. DESCRIPTION OF THE ORGANIZATION

The Education Safety Association of Ontario Inc. [the "Association"] was incorporated without share capital under the laws of Ontario on December 10, 1997 and became a designated entity under the Workplace Health & Safety Act on December 16, 1997.

The Association provides health and safety products and services to the broad educational sector. The Association's mission is to contribute to the prevention of and reduction in the occurrence of workplace injuries and illnesses in the education sector in Ontario, by helping education sector employees to adopt practices and approaches that result in ongoing reductions in the occurrence of workplace accidents, injuries and occupational diseases. The Association is a not-for-profit organization under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant policies are as follows:

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and investments with original maturity dates of three months or less at the date of acquisition. Cash and cash equivalents are recorded at the lower of cost or market value.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the following periods:

Furniture and office equipment	5 years
Computer hardware	3 years
Computer software	3 years

Leasehold improvements are amortized on a straight-line basis over the lease term.

Funding and net assets

The Health and Safety Association Surplus Recovery Policy [the "surplus policy"] allows the Association to retain 100% of surplus funds. Surplus funds are to be recognized and applied towards the elimination of any unrestricted net assets deficiency. Remaining surpluses may be retained as unrestricted net assets but shall not cumulatively exceed 6% of WSIB funding for the fiscal year. The unrestricted net assets balance is available for use by the Association without WSIB approval.

Surpluses in excess of the cumulative 6% maximum unrestricted net assets balance are recognized as deferred revenue for use within a twenty-four month period. Expenditure of these funds requires prior approval of the WSIB. If the deferred revenue is not expended within twenty-four months, the funds are to be transferred to the Prevention Dynamics Corporation.

Revenue recognition

The Association, which is funded by the Workplace Safety & Insurance Board [the "WSIB"], follows the deferral method of accounting for funding. Restricted funding is deferred and recognized as revenue when the related expense occurs. Unrestricted funding is recognized as revenue when received or receivable. Funding received for capital expenditures is deferred and recognized as revenue over the estimated useful life of the capital asset.

Use of estimates

The preparation of these financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair value

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate fair values due to the short-term period to maturity of these instruments.

Pension plan

The Company's contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due.

3. CASH

Cash of \$343,897 is restricted, as its use requires the concurrence of WSIB that the proposed uses are in accordance with the Association's objectives.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	Cost \$	Accumulated amortization \$	Net book value \$
2003 Furniture and office equipment	98,116	82,262	15,854
Computer hardware	220,877	189,264	31,613
Computer software	95,851	95,851	-
Leasehold improvements	110,498	99,379	11,119
	525,342	466,756	58,586

	Cost \$	Accumulated amortization \$	Net book value \$
2002 Furniture and office equipment	98,116	69,809	28,307
Computer hardware	213,876	172,854	41,022
Computer software	95,851	95,851	-
Leasehold improvements	110,498	86,106	24,392
	518,341	424,620	93,721

5. DEFERRED REVENUE

Deferred revenue consists of the following:

	2003	2002
	\$	\$
Property, plant and equipment	58,586	93,721
Operating	343,897	146,136
Safety products	23,366	35,230
	425,849	275,087
Current portion	165,189	35,230
	260,660	239,857

Changes in the deferred revenue balance are as follows:

	2003	2002
	\$	\$
Deferred revenue, beginning of year	275,087	211,307
Funding for current year's expenditures from prior year's restricted excess funding	(4,314)	(21,240)
Prior year's excess funding released for property, plant and equipment purchases	-	-54,785
Property, plant and equipment funding	-	54,785
Amortization relating to deferred revenue, property, plant and equipment	(42,136)	(48,815)
Restricted funding in excess of current year's expenditures	202,075	141,822
Amortization relating to deferred revenue safety products	(11,864)	(12,301)
WSIB one-time contributions for special projects	72,000	28,700
Expenditures related to one-time contributions for special projects	(64,999)	(24,386)
WSIB one time contributions released for property, plant and equipment	(7,001)	-
WSIB one-time contributions used for property, plant and equipment purchases	7,001	-
Deferred revenue, end of year	425,849	275,087

6. PENSION PLAN

Substantially all of the employees of the Company are members of the WSIB Pension Plan [the "Plan"], which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members. The most recent actuarial valuation of the Plan as at December 31, 2003 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Company on behalf of employees amounted to \$109,801 [2002 - nil] and are included in the statement of operations.

7. LEASE COMMITMENTS

The future minimum annual lease payments under operating leases for premises are approximately as follows:

	\$
2004	89,000
2005	95,000
2006	95,000
2007	95,000

Head Office

The Education Safety Association of Ontario
4950 Yonge Street, Suite 1505
Toronto, Ontario, M2N 6K1
Telephone: 416 250 8005
Fax: 416 250 9190

Contact Information

Field Consultants



Central Lakes

Dave Roger, Peterborough
droger@esao.on.ca
705 876 1001



Ontario Francophone

Alain Chenard, Orleans
achenard@esao.on.ca
613 837 2042



Georgian Bay

Normand Belanger, Cambridge
nbelanger@esao.on.ca
519 623 1654



Niagara

Bill Urie, Hamilton
burie@esao.on.ca
905 312 9962



North East

Doug Bennett, North Bay
dbennett@esao.on.ca, 705 476 7433
888 824 4472 (for 705 area code)



North west

Brian Smith, Thunder Bay
bsmith@esao.on.ca, 807 344 6017
807 890 0002 (for 807 and 705 area codes)



South Central - GTA

Mike Atkinson, Toronto
matkinson@esao.on.ca
416 466 1923



South Central - GTA

Janice Gallant, Mississauga
jgallant@esao.on.ca
905 566 5056



South Central - GTA

Lawrence Kurtz, Thornhill
lkurtz@esao.on.ca
905 886 7691



South West

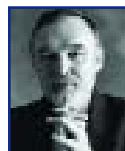
Ed Hager, Melbourne
ehager@esao.on.ca
519 264 9738



East

Jean-Guy Raymond, Kanata
jraymond@esao.on.ca
613 592 4491

Staff



Dwight Barratt

Executive Director and CEO



Tracy Byng

Director/Administrative Services



Jim Bell

Director/Program Development



Derek Zulesky

Director/Client Services



Jennifer Howden

Data systems Administrator



John Thompson

Administrative Services Assistant



People working safely in the safest and healthiest workplaces in the world.



www.esao.on.ca