

**Spina Bifida and Hydrocephalus
Association of Ontario**

ANNUAL FINANCIAL STATEMENTS

February 28, 2010

AUDITORS' REPORT

To the members of the
Spina Bifida and Hydrocephalus Association of Ontario

We have audited the statement of financial position of the Spina Bifida and Hydrocephalus Association of Ontario as at February 28, 2010 and the statements of operations, changes in net assets and of 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.

Except as explained in the following paragraph, 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 common with many charitable organizations, the Association derives revenues from cash donations and from fundraising events, 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 books of the Association and we were not able to determine whether any adjustments might be necessary to revenues, net changes in fund balances for the year, assets and equity.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at February 28, 2010 and the results of its operations, the changes in its net assets, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.


Chartered Accountants
Licensed Public Accountants

May 20, 2010

Spina Bifida and Hydrocephalus Association of Ontario

STATEMENT OF FINANCIAL POSITION

February 28, 2010

Statement 1

	2010	2009 <i>(Restated)</i>
ASSETS		
Current		
Cash and short-term deposits	\$336,824	\$311,145
Accounts receivable	21,147	25,945
Deposits and prepaid expenses <i>(note 3)</i>	33,299	30,098
	391,270	367,188
Endowment investments and security deposit <i>(note 4)</i>	228,344	229,962
Equipment <i>(note 5)</i>	7,648	10,711
	\$627,262	\$607,861
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$28,114	\$26,212
Deferred contributions <i>(note 6)</i>	2,576	12,397
	30,690	38,609
NET ASSETS <i>(note 7) (Statement 2)</i>		
Net assets invested in equipment	7,648	9,283
Net assets internally restricted for research	14,110	15,010
Net assets restricted for scholarship endowments	212,813	211,194
Unrestricted net assets	362,001	333,765
	596,572	569,252
	\$627,262	\$607,861

APPROVED ON BEHALF OF THE BOARD:


_____, DIRECTOR


_____, DIRECTOR

Refer to the accompanying notes.

Spina Bifida and Hydrocephalus Association of Ontario

STATEMENT OF CHANGES IN NET ASSETS

Year ended February 28, 2010

Statement 2

Net assets	2010			2009		
	Invested in equipment	Restricted for research	Restricted for scholarship endowments	Unrestricted	Total	Total
Beginning of year						
As previously stated	\$9,283	\$15,010	\$214,962	\$335,265	\$574,520	\$614,015
Restatement of prior period balances (note 12)	-	-	(3,768)	(1,500)	(5,268)	(3,099)
As restated	9,283	15,010	211,194	333,765	569,252	610,916
Excess of revenues over expenses (expenses over revenues) (Statement 3)	(4,869)	(900)	-	31,470	25,701	(42,035)
Endowment contributions and reinvested portion of interest income	-	-	1,619	-	1,619	371
Investment in equipment	3,234	-	-	(3,234)	-	-
End of year	\$7,648	\$14,110	\$212,813	\$362,001	\$596,572	\$569,252

Refer to the accompanying notes.

Spina Bifida and Hydrocephalus Association of Ontario

STATEMENT OF OPERATIONS

Year ended February 28, 2010

Statement 3

	2010	2009
Revenues		
Fundraising activities (note 8)	\$334,106	\$303,439
Contributions (note 9)		
General	143,566	119,488
Bequests	-	4,098
Investment income (note 10)	7,877	13,492
Membership dues	5,983	5,767
Other	686	419
	492,218	446,703
Expenses (Schedule 1, notes 2f and 11)		
Programs and services		
Awareness and education	223,165	245,768
Care and support	92,633	90,784
Advocacy	24,344	23,366
Scholarships	11,000	6,500
Research	8,452	6,857
	359,594	373,275
Financial resource development	67,132	74,269
General administration	33,493	34,729
Amortization of equipment	6,298	6,465
	466,517	488,738
Excess of revenues over expenses (expenses over revenues) for the year	\$25,701	(\$42,035)

Refer to the accompanying notes.

Spina Bifida and Hydrocephalus Association of Ontario

STATEMENT OF CASH FLOWS

Year ended February 28, 2010

Statement 4

	2010	2009
Cash provided by (used for):		
Operating activities		
Operating revenue sources	\$487,195	\$462,871
Payments on account of expenses	(461,519)	(478,712)
	25,676	(15,841)
Investment activities - purchases of equipment	(3,234)	(6,509)
Endowment contributions received and reinvested investment income	1,619	2,540
Decrease (increase) in endowment investments and security deposit	1,618	(2,933)
Net increase in cash for the year	25,679	(22,743)
Cash and short-term deposits, beginning of year	311,145	333,888
Cash and short-term deposits, end of year	\$336,824	\$311,145

Refer to the accompanying notes.

Spina Bifida and Hydrocephalus Association of Ontario

SCHEDULE OF ALLOCATED EXPENSES

Year ended February 28, 2010

Schedule 1

	2010					2009	
	Awareness and education	Care and support	Advocacy	Research	Financial resource development administration	General	Total
							Total
Salaries and contract personnel	\$134,463	\$51,962	\$16,235	\$7,006	\$57,295	\$7,412	\$302,483
Office rent and utilities	24,539	21,032	2,844	-	2,842	5,684	54,704
Postage, courier	12,705	5,961	1,597	546	1,760	607	23,013
Equipment lease	4,237	2,413	417	-	392	391	8,672
Insurance	-	-	-	-	-	7,077	7,283
Meetings and travel	2,285	2,277	305	-	1,106	728	8,465
Equipment maintenance	3,917	1,646	327	-	326	342	5,495
Professional fees	-	-	-	-	-	6,055	5,740
Telephone and internet	1,371	3,233	617	-	316	300	6,319
Office supplies	2,462	822	121	-	85	743	4,637
Bank charges	-	-	-	-	-	3,792	4,041
Printing	344	137	-	-	905	99	923
Advertising	-	-	-	-	-	263	527
Total allocated expenses	186,323	89,483	22,463	7,552	65,027	33,493	432,302
Direct program costs	36,842	3,150	1,881	900	2,105	-	43,471
Total function expense	\$223,165	\$92,633	\$24,344	\$8,452	\$67,132	\$33,493	\$475,773

Refer to the accompanying notes.

Spina Bifida and Hydrocephalus Association of Ontario

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2010

1 / Purpose of Organization

The Association is a provincial organization whose primary objects are to carry out educational and public awareness programs about prevention and diagnosis, and to support individuals and their families. Spina Bifida and Hydrocephalus Association of Ontario ("SBHAO") is incorporated by letters patent under the Corporations Act of Ontario as a non-profit association without share capital. Any surplus earned by the corporation is to be used in promoting its objects. The Association is a registered charity under provisions of the Income Tax Act (Canada).

2 / Significant Accounting Policies

a. Financial instruments

The organization's financial instruments are categorized and measured, respectively, as follows:

Cash	Held for trading	Fair value
Amounts receivable	Loans and receivables	Amortized cost
Short-term deposits, endowment investments and security deposit	Held to maturity	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Financial instruments measured at amortized cost are initially recognized at fair value and then subsequently at amortized cost with gains and losses recognized in the statements of operations in the period in which the gain or loss occurs. Fair value of cash is its carrying amount.

The organization applies presentation and disclosure requirements of Section 3861 of the Canadian Institute of Chartered Accountants Handbook, which is allowed for not-for-profit organizations in place of the requirements of Sections 3862 and 3863.

b. Equipment and Amortization

Equipment purchases are accounted for in a manner that amortizes their cost over their estimated useful lives. The Association uses the straight-line method and the following rates of amortization: computers and peripherals - 4 years; computer software - 7 years; office equipment - 7 years. The value of equipment is removed from the accounts after it is fully amortized.

c. Revenue Recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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. Endowment contributions are recognized as direct increases in net assets.

d. Contributed Services

The work of the Association is highly dependent on the efforts of its volunteers. Since the monetary value of volunteers' contributed services is difficult to determine, the value of these services has not been recognized in these financial statements.

e. Allocations of Expenses

In addition to expenses directly attributable to a program or service, each program or service is allocated a share of other expenses, such as personnel costs, rent, office equipment, etc. Allocations are estimated on the basis of actual time, space and other usage criteria, as appropriate. Expenses not reasonably attributable to any other program or service are added to general administrative expense.

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Spina Bifida and Hydrocephalus Association of Ontario

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2010

2 / Significant Accounting Policies *(continued)*

f. Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make reasonable estimates and assumptions that affect various amounts reported in these financial statements. Actual results can vary from these estimates.

g. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances on deposit with chartered banks and credit unions.

h. Changes in accounting policies

Effective March 1, 2009, the organization adopted the following new accounting standards due to recent amendments to the Canadian Institute of Chartered Accountants ("CICA") Handbook that pertain to not-for-profit organizations.

Section 4400 modifies the requirements with respect to the following aspects of financial statement presentation:

- a. reporting certain revenues on a gross basis in the statement of operations
- b. making Section 1540 Cash Flow Statements applicable to not-for-profit organizations
- c. amortizing capital assets reported as assets in the balance sheet, regardless of the size of the organization
- d. when a not-for-profit organization classifies its expenses by function and allocates some of its fundraising and general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from each of these two functions to other functions; and
- e. the elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets.

Section 4460 Disclosure of Related Party Transactions by Not-for-Profit Organizations has been amended to align the definition of related parties to C1CA 3840 Related Party Transactions. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members.

Section 4470 Disclosure of Allocated Expenses by Not-for-Profit Organizations establishes disclosure standards for a not-for-profit organization that classified its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

Section 1535 Capital Disclosures requires the disclosure of both qualitative and quantitative information that enables users of the financial statements to evaluate the organization's objectives, policies and process for managing capital. Disclosure is required of (i) objectives, policies and processes for managing capital; (ii) quantitative data about what the Organization regards as capital; (iii) compliance with any capital requirements and (iv) consequences of non-compliance, if any. This information is provided in a note below.

Adoption of these new standards has had no material effect of the organization's financial statements other than the addition of a schedule showing the required information for allocated expenses.

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Spina Bifida and Hydrocephalus Association of Ontario

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2010

3 / Prepaid Expenses and Deposits

	2010	2009
Prepaid break-open lottery tickets and licences for fundraising	\$25,616	\$23,018
Security deposit on rented premises	5,139	5,139
Literature for distribution and other	2,544	1,941
	\$33,299	\$30,098

4 / Endowment Investments and Security Deposit

	2010	2009
Bank guaranteed investment certificate, bearing interest at 4.125% due June 25, 2010	\$100,625	\$100,625
Bank guaranteed investment certificate, bearing interest at .65% due October 15, 2010	76,243	-
Credit Union term deposit, bearing interest at 4.6% due September 7, 2010	34,300	34,300
Credit Union term deposit, bearing interest at 2.5% due September 7, 2010	1,250	-
Non-current hypothecated portion of bank guaranteed investment certificate, bearing interest at .70%, due June 25, 2010	15,000	15,000
Guaranteed investment certificates that matured during the year	-	79,689
Savings accounts	926	348
	\$228,344	\$229,962

Fair values of the above investments at February 28, 2010 were approximately the same as their book values shown above due to the short times to their maturities. Fair values of fixed interest rate investments are subject to fluctuation as market interest rates change. No gain, loss or change in yield will occur unless fixed rate instruments are disposed of prior to maturity. The amount of \$15,000 has been hypothecated on a guaranteed investment certificate of \$120,000 as security for a letter of guarantee provided to satisfy regulatory requirements with respect to a fundraising raffle conducted by the Association. All other investments shown above are for endowment purposes.

5 / Equipment

			2010	2009
	Cost	Accumulated Amortization	Net	Net
Computers and peripherals	\$52,898	\$47,396	\$5,502	\$5,541
Computer software	18,536	16,390	2,146	4,794
Office equipment	13,893	13,893	-	376
	\$85,327	\$77,679	\$7,648	\$10,711

The Association is still in possession of office furniture and illustrative aids that are not shown above because their costs of acquisition have been fully amortized.

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Spina Bifida and Hydrocephalus Association of Ontario

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2010

6 / Deferred Contributions

Deferred contributions represent contributions received but not expended for purposes specified by the contributor as well as accumulated undisbursed interest earned on scholarship endowments. Changes in the deferred contributions balance are as follows:

	2010	2009 <i>(Restated)</i>
Balance, beginning of year	\$12,397	\$5,956
Amounts recognized as income during the year	(12,129)	(1,428)
Amounts received and deferred during the year	2,308	7,869
Balance, end of year	\$2,576	\$12,397

7 / Restrictions on Net Assets

Internally restricted amounts are only available for designated purposes. Such restrictions are imposed by the Board of Directors and may only be changed with the approval of the Board.

Net assets restricted for endowments are maintained in segregated bank accounts and investment certificates. Endowment resources are to be maintained permanently, while the interest on the permanent endowment may be used to pay scholarships.

8 / Fundraising Activities

	2010	2009
Break open lottery sales	\$1,269,030	\$1,106,511
Less: Prizes and licences	(935,509)	(813,592)
Retailer commissions and supplier fees	(131,669)	(114,136)
Ticket printing and other direct costs	(64,473)	(52,041)
	137,379	126,742
Bingo revenues, net of prizes paid	98,871	91,067
Revenue from other games of chance, net of prizes paid and direct costs totalling \$25,634 (2009 - \$25,672)	24,881	29,498
Golf tournament revenue, net of direct costs of \$11,443 (2009 - \$12,921)	43,454	42,498
Other fundraising revenue, net of direct costs	29,521	13,634
	\$334,106	\$303,439

9 / Contributions

Contributions are shown net of related direct mailing costs of \$1,418 (2009 - \$1,200).

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Spina Bifida and Hydrocephalus Association of Ontario

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2010

10 / Investment Income

	2010	2009
		<i>(Restated)</i>
Income earned on unrestricted resources	\$2,726	\$7,957
Income earned on resources held for scholarship endowments	6,915	7,704
Total investment income earned in the period	9,641	15,661
Less amount added to deferred contributions	(1,660)	(2,169)
Less reinvested amounts added to scholarship endowments	(104)	-
Investment income recognized as revenue for the year	\$7,877	\$13,492

11 / Commitments

The Association has entered into contractual obligations to lease office premises, and to lease and service office equipment. Minimum future payments under the leases are as follows: 2011 - \$64,955; 2012 - \$64,506; 2013 - \$25,378; 2014 - \$17,234.

12 / Comparative Figures and Prior Period Restatement

Certain comparative figures presented for the preceding year have been restated to conform with the presentation adopted for the current year.

Net assets restricted for endowments and deferred contributions presented on the balance sheet have been restated for prior years to correct the presentation of interest earned on a scholarship endowment. Interest earned on that scholarship endowment was being recorded as an increase to the endowments net asset balance whereas it should have increased the deferred contributions liability. This restatement has no effect on the statements of operations for prior years.

13 / Financial Instruments - Risk Management

The short-term deposits and endowment investments of SBHAO are subject to interest rate risk, which refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. Amounts receivable are also subject to credit risk, being the possibility that parties could default on their financial obligations. The organization minimizes the associated risks by varying maturities of its investments in response to market conditions and by investing only in financial instruments issued by chartered banks and credit unions.

14 / Capital Disclosures

For management purposes, the organization defines capital as the sum of its net assets. There are no externally imposed requirements on capital other than on amounts held as endowments.

The primary objectives when managing capital are to safeguard the sustainability of the organization, to provide sufficient capital to maintain operations, manage risks, and to effectively fund the functions, projects and activities for its target contributors and beneficiaries.

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Spina Bifida and Hydrocephalus Association of Ontario

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2010

15 / Future Accounting Changes

The Canadian Accounting Standards Board has announced that all Canadian reporting entities, subject to certain exceptions which include not-for-profit organizations, will adopt International Financial Reporting Standards (IFRS) as Canadian generally accepted accounting principles for years beginning on or after January 1, 2011. The organization, at its option, may adopt IFRS if it so chooses and is evaluating the implications of the adoption of these new standards.