

**Spina Bifida and Hydrocephalus  
Association of Ontario**

**ANNUAL FINANCIAL STATEMENTS**

**February 28, 2011**

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Spina Bifida and Hydrocephalus Association of Ontario, which comprise the statement of financial position as at February 28, 2011, and the statement of operations, statement of changes in net assets and statement of cash flows 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.

### Auditors' 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 audit opinion.

### Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenues from contributions and from fundraising events some of which, due to their nature, are not susceptible to satisfactory audit verification. We were unable to obtain sufficient appropriate audit evidence about the completeness of these revenues limiting our audit procedures to the related amounts recorded in the books of the organization. Consequently, we were unable to determine whether any adjustments to these amounts and related items in the financial statements were necessary.

### 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 Spina Bifida and Hydrocephalus Association of Ontario as at February 28, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

  
Chartered Accountants / Licensed Public Accountants

June 16, 2011

**Spina Bifida and Hydrocephalus Association of Ontario**

**STATEMENT OF FINANCIAL POSITION**

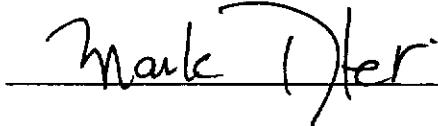
February 28, 2011

Statement 1

	2011	2010
<b>ASSETS</b>		
Current		
Cash and short-term deposits	\$324,432	\$336,824
Accounts receivable	40,514	21,147
Deposits and prepaid expenses	27,879	33,299
	392,825	391,270
Endowment investments and security deposit (note 3)	228,803	228,344
Equipment (note 4)	21,341	7,648
	\$642,969	\$627,262
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$33,314	\$28,114
Deferred contributions (note 5)	2,810	2,576
	36,124	30,690
<b>NET ASSETS (note 6) (Statement 2)</b>		
Net assets invested in equipment	21,341	7,648
Net assets internally restricted for research	14,110	14,110
Net assets restricted for scholarship endowments	213,063	212,813
Unrestricted net assets	358,331	362,001
	606,845	596,572
	\$642,969	\$627,262

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, 2011

Statement 2

					2011	2010
<b>Net assets</b>	Invested in equipment	Restricted for research	Restricted for scholarship endowments	Unrestricted	<b>Total</b>	Total
Beginning of year	\$7,648	\$14,110	\$212,813	\$362,001	<b>\$596,572</b>	\$569,252
Excess of revenues over expenses (expenses over revenues) ( <i>Statement 3</i> )	(7,395)	-	-	17,418	<b>10,023</b>	25,701
Endowment contributions and reinvested portion of interest income	-	-	250	-	<b>250</b>	1,619
Investment in equipment	21,088	-	-	(21,088)	-	-
End of year	\$21,341	\$14,110	\$213,063	\$358,331	<b>\$606,845</b>	\$596,572

*Refer to the accompanying notes.*

## Spina Bifida and Hydrocephalus Association of Ontario

### STATEMENT OF OPERATIONS

Year ended February 28, 2011

Statement 3

	2011	2010
<b>Revenues</b>		
Fundraising		
Lottery and bingo (note 7)	<b>\$241,860</b>	\$261,131
Donations	<b>160,049</b>	143,566
Events and activities (note 8)	<b>123,758</b>	73,661
	<b>525,667</b>	478,358
Membership dues	<b>5,910</b>	5,983
Investment income (note 9)	<b>5,586</b>	7,877
	<b>537,163</b>	492,218
<b>Expenses (Schedule 1)</b>		
Programs and services		
Awareness and education	<b>262,415</b>	223,165
Care and support	<b>106,956</b>	92,633
Advocacy	<b>27,173</b>	24,344
Scholarships	<b>6,100</b>	11,000
Research	<b>8,518</b>	8,452
	<b>411,162</b>	359,594
Financial resource development	<b>73,151</b>	67,132
General administration	<b>35,432</b>	33,493
Amortization of equipment	<b>7,395</b>	6,298
	<b>527,140</b>	466,517
<b>Excess of revenues over expenses for the year</b>	<b>\$10,023</b>	\$25,701

Refer to the accompanying notes.

**Spina Bifida and Hydrocephalus Association of Ontario**

STATEMENT OF CASH FLOWS

Year ended February 28, 2011

Statement 4

	2011	2010
<b>Cash provided by (used for):</b>		
Operating activities		
Operating revenue sources	<b>\$518,030</b>	\$487,195
Payments on account of expenses	<b>(509,125)</b>	(461,519)
	<b>8,905</b>	25,676
Investment activities - purchases of equipment	<b>(21,088)</b>	(3,234)
Endowment contributions received and reinvested investment income	<b>250</b>	1,619
Net decrease (increase) in endowment investments and security deposit	<b>(459)</b>	1,618
<b>Net increase in cash for the year</b>	<b>(12,392)</b>	25,679
Cash and short-term deposits, beginning of year	<b>336,824</b>	311,145
Cash and short-term deposits, end of year	<b>\$324,432</b>	\$336,824

*Refer to the accompanying notes.*

**Spina Bifida and Hydrocephalus Association of Ontario**

SCHEDULE OF FUNCTION EXPENSES AND ALLOCATIONS

Year ended February 28, 2011

Schedule 1

							2011	2010
	Awareness and education	Care and support	Advocacy	Research	Financial resource development	General administration	Total	Total
Allocated expenses								
Salaries and contract personnel	\$168,804	\$60,371	\$16,148	\$8,518	\$62,872	\$10,993	<b>\$327,706</b>	\$274,373
Office rent and utilities	27,039	23,305	3,149	-	3,149	1,793	<b>58,435</b>	56,941
Postage, courier	13,115	8,748	2,451	-	991	645	<b>25,950</b>	23,176
Equipment maintenance	5,523	2,342	454	-	531	562	<b>9,412</b>	6,558
Equipment lease	5,118	2,136	427	-	427	431	<b>8,539</b>	7,850
Insurance	-	-	-	-	-	7,352	<b>7,352</b>	7,077
Office supplies, general	3,279	872	186	-	896	1,135	<b>6,368</b>	5,981
Meetings and travel	1,362	2,643	264	-	1,299	533	<b>6,101</b>	6,701
Telephone and internet	1,617	3,095	479	-	263	386	<b>5,840</b>	5,837
Professional fees	-	-	-	-	-	5,710	<b>5,710</b>	6,055
Bank charges	-	-	-	-	-	5,892	<b>5,892</b>	3,792
Total allocated expenses	225,857	103,512	23,558	8,518	70,428	35,432	<b>467,305</b>	404,341
Program-specific costs	36,558	3,444	3,615	-	2,723	-	<b>46,340</b>	44,878
Total function expenses	\$262,415	\$106,956	\$27,173	\$8,518	\$73,151	\$35,432	<b>\$513,645</b>	\$449,219

*Refer to the accompanying notes.*

## Spina Bifida and Hydrocephalus Association of Ontario

### NOTES TO THE FINANCIAL STATEMENTS

February 28, 2011

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#### 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 furniture and equipment - 7 years; lottery equipment - 4 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, 2011

#### 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.

#### 3 / Endowment Investments and Security Deposit

	2011	2010
Bank guaranteed investment certificates; interest at 0.75% - 1.475% maturing in the 2012 fiscal year	\$177,813	\$ -
Credit Union term deposit, bearing interest at 3.0% maturing September 7, 2014	35,550	-
Guaranteed investment certificates that matured during the year ended February 28, 2011	-	212,418
Savings accounts	440	926
Total endowment investments	213,803	213,344
Security deposit - hypothecated portion of a bank guaranteed investment certificate; interest at 0.95%, maturing June 25, 2011	15,000	15,000
	<b>\$228,803</b>	<b>\$228,344</b>

The amount of \$15,000 has been hypothecated from one guaranteed investment certificate of \$110,000 as security for a letter of guarantee provided by the Association's bank to satisfy regulatory requirements with respect to a fundraising raffle.

Fair values of the above investments at February 28, 2011 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.

#### 4 / Equipment

	2011		2010
	Cost	Accumulated Amortization	Net
Computers and peripherals	\$14,203	\$6,430	\$7,773
Office furniture and equipment	13,106	2,206	10,900
Computer software	4,429	1,761	2,668
	<b>\$31,738</b>	<b>\$10,397</b>	<b>\$21,341</b>

The Association is still in possession of certain equipment that is 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, 2011

#### 5 / 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:

	2011	2010
Balance, beginning of year	\$2,576	\$12,397
Amounts recognized as income during the year	(1,149)	(12,129)
Amounts received and deferred during the year	1,383	2,308
Balance, end of year	\$2,810	\$2,576

#### 6 / 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.

#### 7 / Lottery and Bingo Revenues

	2011	2010
Break open lottery proceeds net of awarded prizes	\$371,488	\$425,227
Less: Retailer commissions and supplier fees	(113,122)	(131,669)
Provincial fees and licences	(79,854)	(91,706)
Ticket printing and other direct costs	(54,457)	(64,473)
	124,055	137,379
Bingo revenues net of awarded prizes	91,052	98,871
Proceeds from calendar lottery net of prizes paid and direct costs of \$25,162 (2010 - \$25,634)	26,753	24,881
	\$241,860	\$261,131

#### 8 / Fundraising Event and Activity Revenues

	2011	2010
Golf tournaments, walks and third-party events	\$139,471	\$87,874
Less direct costs	(15,713)	(14,213)
	\$123,758	\$73,661

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## Spina Bifida and Hydrocephalus Association of Ontario

### NOTES TO THE FINANCIAL STATEMENTS

February 28, 2011

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#### 9 / Investment Income

	2011	2010
Income earned on unrestricted resources	<b>\$1,882</b>	\$2,726
Income earned on resources held for scholarship endowments	<b>4,434</b>	6,915
Total investment income earned in the period	<b>6,316</b>	9,641
Less amount added to deferred contributions	<b>(683)</b>	(1,660)
Less reinvested amounts added to scholarship endowments	-	(104)
Investment income recognized as revenue for the year	<b>\$5,633</b>	\$7,877

#### 10 / 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: 2012 - \$64,506; 2013 - \$25,378; 2014 - \$17,234.

#### 11 / 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.

#### 12 / 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.

#### 13 / 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.