

**Spina Bifida and Hydrocephalus  
Association of Ontario**

**ANNUAL FINANCIAL STATEMENTS**

**February 29, 2012**

## 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 29, 2012, 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.

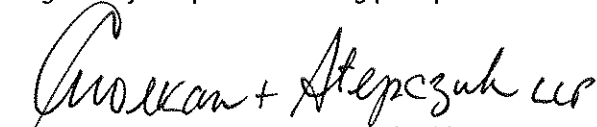
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis for Qualified Opinion

In common with many not-for-profit organizations, the Association derives revenues from cash donations and fundraising revenues activities and events, the completeness which are 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, changes in net assets for the year, 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, the financial statements present fairly, in all material respects, the financial position of Spina Bifida and Hydrocephalus Association of Ontario as at February 29, 2012, 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  
May 29, 2012

Spina Bifida and Hydrocephalus Association of Ontario

STATEMENT OF FINANCIAL POSITION

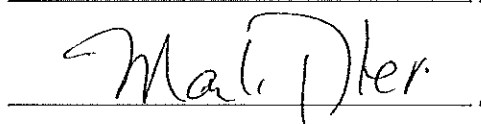
February 29, 2012

Statement 1

	2012	2011
<b>ASSETS</b>		
Current		
Cash and short-term deposits	\$272,801	\$324,432
Accounts receivable	47,331	40,514
Deposits and prepaid expenses	33,671	27,879
	353,803	392,825
Endowment investments and security deposit (note 3)	229,778	228,803
Equipment (note 4)	14,852	21,341
	\$598,433	\$642,969
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$32,566	\$33,314
Deferred contributions (note 5)	3,115	2,810
	35,681	36,124
<b>NET ASSETS (note 6) (Statement 2)</b>		
Net assets invested in equipment	14,852	21,341
Net assets internally restricted for research	14,210	14,110
Net assets restricted for scholarship endowments	213,263	213,063
Unrestricted net assets	320,427	358,331
	562,752	606,845
	\$598,433	\$642,969

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 29, 2012

Statement 2

Net assets	2012			2011	
	Invested in equipment	Restricted for research	Restricted for scholarship endowments	Unrestricted	Total
Beginning of year	\$21,341	\$14,110	\$213,063	\$358,331	\$596,572
Excess of revenues over expenses (expenses over revenues) (Statement 3)	(6,489)	100	-	(37,904)	10,023
Endowment contributions and reinvested portion of interest income	-	-	200	-	250
Investment in equipment	-	-	-	-	-
End of year	\$14,852	\$14,210	\$213,263	\$320,427	\$562,752
					\$606,845

Refer to the accompanying notes.

## Spina Bifida and Hydrocephalus Association of Ontario

### STATEMENT OF OPERATIONS

Year ended February 29, 2012

Statement 3

	2012	2011
<b>Revenues</b>		
Fundraising		
Lottery and bingo <i>(note 7)</i>	\$237,704	\$241,860
Donations	206,282	160,049
Events and activities <i>(note 8)</i>	92,687	123,758
	536,673	525,667
Membership dues	5,955	5,910
Investment income <i>(note 9)</i>	4,977	5,586
	547,605	537,163
<b>Expenses <i>(Schedule 1)</i></b>		
Programs and services		
Awareness and education	308,783	262,415
Care and support	118,816	106,956
Advocacy	28,080	27,173
Scholarships	5,100	6,100
Research	8,223	8,518
	469,002	411,162
Financial resource development	83,097	73,151
General administration	33,310	35,432
Amortization of equipment	6,489	7,395
	591,898	527,140
<b>Excess of revenues over expenses for the year</b>	<b>(\$44,293)</b>	<b>\$10,023</b>

Refer to the accompanying notes.

**Spina Bifida and Hydrocephalus Association of Ontario**

STATEMENT OF CASH FLOWS

Year ended February 29, 2012

Statement 4

	2012	2011
<b>Cash provided by (used for):</b>		
Operating activities		
Operating revenue sources	\$535,906	\$518,030
Interest received	5,194	
Payments on account of expenses	(591,799)	(509,125)
	(50,699)	8,905
Investment activities - purchases of equipment	-	(21,088)
Endowment contributions received and reinvested investment income	200	250
Increase in endowment investments and security deposit	(1,132)	(459)
<b>Net increase in cash for the year</b>	<b>(51,631)</b>	<b>(12,392)</b>
Cash and short-term deposits, beginning of year	324,432	336,824
Cash and short-term deposits, end of year	\$272,801	\$324,432

*Refer to the accompanying notes.*

**Spina Bifida and Hydrocephalus Association of Ontario**

**SCHEDULE OF EXPENSE COMPONENTS**

Year ended February 29, 2012

Schedule 1

Expenses shown on the Statement of Operations are presented by program, service and function. The components of those expenses, by major category, are as follows:

	2012					2011				
	Personnel remuneration	Occupancy costs	Direct program, postage and other	Total	Personnel remuneration	Occupancy costs	Direct program, postage and other	Total		
Awareness and education	\$201,937	\$26,804	\$80,042	\$308,783	\$168,804	\$27,039	\$66,572	\$262,415		
Care and support	\$69,716	23,845	25,255	\$118,816	\$60,371	23,305	23,280	\$106,956		
Advocacy	\$16,162	3,357	8,561	\$28,080	\$16,148	3,149	7,876	\$27,173		
Research	\$7,755	-	468	\$8,223	\$8,518	-	-	\$8,518		
Fundraising	\$72,519	2,942	7,636	\$83,097	\$62,872	3,149	7,130	\$73,151		
General administration	\$9,158	1,881	22,271	\$33,310	\$10,993	1,793	22,646	\$35,432		

Refer to the accompanying notes.

## Spina Bifida and Hydrocephalus Association of Ontario

### NOTES TO THE FINANCIAL STATEMENTS

February 29, 2012

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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.

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## Spina Bifida and Hydrocephalus Association of Ontario

### NOTES TO THE FINANCIAL STATEMENTS

February 29, 2012

#### 2 / Significant Accounting Policies *(continued)*

##### e. Allocations of Expenses

In addition to expenses directly attributable to a program or service function, each program or service is allocated a share of certain 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 to each expense. Expenses not reasonably attributable to any other program or service are added to general administrative expense.

##### 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

	2012	2011
Bank guaranteed investment certificates; interest at 1.05% - 1.30% maturing in the 2012 fiscal year	\$178,967	\$ -
Credit Union term deposit, bearing interest at 3.0% maturing September 7, 2014	35,550	35,550
Guaranteed investment certificates that matured during the year ended February 29, 2012	-	177,813
Savings accounts	261	440
Total endowment investments	214,778	213,803
Security deposit - hypothecated portion of a bank guaranteed investment certificate; interest at 1.05%, maturing June 25, 2012	15,000	15,000
	\$229,778	\$228,803

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 29, 2012 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.

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**Spina Bifida and Hydrocephalus Association of Ontario**

**NOTES TO THE FINANCIAL STATEMENTS**

February 29, 2012

**4 / Equipment**

			<b>2012</b>	<b>2011</b>
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>	<b>Net</b>
Computers and peripherals	\$14,203	\$9,981	<b>\$4,222</b>	\$7,773
Office furniture and equipment	13,106	4,413	<b>8,693</b>	10,900
Computer software	4,429	2,492	<b>1,937</b>	2,668
	<b>\$31,738</b>	<b>\$16,886</b>	<b>\$14,852</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.

**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:

	<b>2012</b>	<b>2011</b>
Balance, beginning of year	<b>\$2,810</b>	\$2,576
Amounts recognized as income during the year	<b>(700)</b>	(1,149)
Amounts received and deferred during the year	<b>1,005</b>	1,383
Balance, end of year	<b>\$3,115</b>	\$2,810

**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.

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## Spina Bifida and Hydrocephalus Association of Ontario

### NOTES TO THE FINANCIAL STATEMENTS

February 29, 2012

#### 7 / Lottery and Bingo Revenues

	2012	2011
Break open lottery proceeds net of awarded prizes	\$331,050	\$371,488
Less: Retailer commissions and supplier fees	(102,367)	(113,122)
Provincial fees and licences	(67,940)	(79,854)
Ticket printing and other direct costs	(46,662)	(54,457)
	114,081	124,055
Bingo revenues net of awarded prizes	95,520	91,052
Proceeds from calendar lottery net of prizes paid and direct costs of \$23,842 (2011 - \$25,162)	28,103	26,753
	\$237,704	\$241,860

#### 8 / Fundraising Event and Activity Revenues

	2012	2011
Golf tournaments, walks and third-party events	\$105,215	\$139,471
Less direct costs	(12,528)	(15,713)
	\$92,687	\$123,758

#### 9 / Investment Income

	2012	2011
Income earned on unrestricted resources	\$2,700	\$1,882
Income earned on resources held for scholarship endowments	3,282	4,387
Total investment income earned in the period	5,982	6,269
Less amount added to deferred contributions	(1,005)	(683)
Less reinvested amounts added to scholarship endowments	-	-
Investment income recognized as revenue for the year	\$4,977	\$5,586

#### 10 / Commitments

Subsequent to the end of the fiscal year, the Association entered into lease extension agreement for its office premises to expire in December 2020. Inducements of rent free periods will be amortized over the term of the lease extension. It also has agreements for leasing and servicing office equipment. Minimum future payments under the leases, including the extension above, are as follows: 2013 - \$30,400; 2014 - \$34,000; 2015 - \$38,600; 2016 - \$44,650; 2017 - \$45,100; all years thereafter - \$125,700. In addition to the above amounts, the tenant's share of property taxes, operating costs and utilities are payable monthly with respect to the premises, which were approximately \$2,000 per month for the 2012 fiscal year.

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## **Spina Bifida and Hydrocephalus Association of Ontario**

### **NOTES TO THE FINANCIAL STATEMENTS**

February 29, 2012

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#### **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**

Effective from fiscal years that begin on or after January 1, 2012, Canadian entities are required to adopt new accounting standards for financial reporting, Not-for-profit organizations may adopt International Financial Reporting Standards (IFRS) or they may adopt Canadian Accounting Standards for Not-for-Profit Enterprises (CAS-NPO). The organization has passed a resolution to adopt CAS-NPO, which are not substantially different from the current accounting standards applicable to this organization.