

**Spina Bifida and Hydrocephalus
Association of Ontario**

ANNUAL FINANCIAL STATEMENTS

February 28, 2015

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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 ("the Association"), which comprise the statement of financial position as at February 28, 2015, 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 28, 2015, and its financial results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountants / Licensed Public Accountants
June 23, 2015

Spina Bifida and Hydrocephalus Association of Ontario

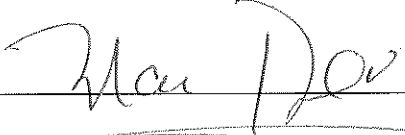
STATEMENT OF FINANCIAL POSITION

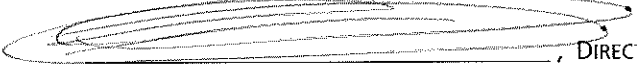
February 28, 2015

Statement 1

	2015	2014
ASSETS		
Current		
Cash and short-term deposits	\$145,940	\$185,685
Accounts receivable	37,123	38,771
Deposits and prepaid expenses	44,901	35,257
	227,964	259,713
Endowment investments and security deposit (note 2)	218,264	227,080
Equipment (note 3)	2,854	4,618
	\$449,082	\$491,411
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$22,224	\$31,652
Deferred contributions (note 4)	13,699	14,738
	35,923	46,390
Deferred premises rent - lease incentive (note 9)	26,086	22,170
	62,009	68,560
NET ASSETS (note 5) (Statement 2)		
Net assets invested in equipment	2,854	4,618
Net assets internally restricted for research	11,460	11,460
Net assets restricted for scholarship endowments	214,231	213,630
Unrestricted net assets	158,528	193,143
	387,073	422,851
	\$449,082	\$491,411

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, 2015

Statement 2

					2015	2014
Net assets	Invested in equipment	Restricted for research	Restricted for scholarship endowments	Unrestricted	Total	Total
Beginning of year	\$4,618	\$11,460	\$213,630	\$193,143	\$422,851	\$489,930
(Expenses over revenues) revenues over expenses (<i>Statement 3</i>)	(1,764)	-	-	(34,615)	(36,379)	(67,296)
Endowment contributions and reinvested portion of interest income	-	-	601	-	601	217
End of year	\$2,854	\$11,460	\$214,231	\$158,528	\$387,073	\$422,851

Refer to the accompanying notes.

Spina Bifida and Hydrocephalus Association of Ontario

STATEMENT OF OPERATIONS

Year ended February 28, 2015

Statement 3

	2015	2014
Revenues		
Fundraising		
Lottery and bingo <i>(note 6)</i>	\$209,966	\$219,723
Donations	142,535	114,329
Events and activities <i>(note 7)</i>	65,287	81,201
	417,788	415,253
Membership dues	6,395	5,780
Investment income <i>(note 8)</i>	3,641	4,407
	427,824	425,440
Expenses <i>(Schedule 1)</i>		
Programs and services		
Awareness and education	234,764	245,623
Care and support	95,949	105,093
Advocacy	31,776	31,929
Research	13,544	12,865
Scholarships	6,000	6,000
	382,033	401,510
Financial resource development	47,030	53,310
General administration	33,376	33,472
Amortization of equipment	1,764	4,444
	464,203	492,736
Excess of expenses over revenues for the year	(\$36,379)	(\$67,296)

Refer to the accompanying notes.

Spina Bifida and Hydrocephalus Association of Ontario

STATEMENT OF CASH FLOWS

Year ended February 28, 2015

Statement 4

	2015	2014
Cash provided by (used for):		
Operating activities		
Operating revenue sources	\$424,792	\$434,135
Interest received	3,641	4,407
Payments on account of expenses	(477,595)	(487,517)
	(49,162)	(48,975)
Endowment contributions received and reinvested investment income	601	217
Decrease (increase) in endowment investments and security deposit	8,816	3,826
Net decrease in cash for the year	(39,745)	(44,932)
Cash and short-term deposits, beginning of year	185,685	230,617
Cash and short-term deposits, end of year	\$145,940	\$185,685

Refer to the accompanying notes.

Spina Bifida and Hydrocephalus Association of Ontario

SCHEDULE OF EXPENSE COMPONENTS

Year ended February 28, 2015

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:

	2015				2014			
	Personnel remuneration	Occupancy costs	Direct program, postage and other	Total	Personnel remuneration	Occupancy costs	Direct program, postage and other	Total
Awareness and education	\$163,578	\$31,559	\$39,627	\$234,764	\$167,547	\$28,056	\$50,020	\$245,623
Care and support	\$50,491	28,885	16,573	\$95,949	\$54,922	28,043	22,128	\$105,093
Advocacy	\$21,074	3,670	7,032	\$31,776	\$19,458	3,233	9,238	\$31,929
Research	\$10,458	2,670	416	\$13,544	\$8,824	729	3,312	\$12,865
Financial resource development	\$40,374	1,413	5,243	\$47,030	\$44,590	2,557	6,163	\$53,310
General administration	\$11,621	1,491	20,264	\$33,376	\$8,122	2,452	22,898	\$33,472
	\$297,596	69,688	89,155	\$456,439	\$303,463	65,070	113,759	\$482,292

Refer to the accompanying notes.

Spina Bifida and Hydrocephalus Association of Ontario

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2015

Nature of Organization

Spina Bifida and Hydrocephalus Association of Ontario ("the Association") provides support, information and education to all who are impacted by spina bifida and/or hydrocephalus, whether individuals with a condition or those supporting them, and to health, social services and educational professionals. Programs are rooted in the principles of self-help and personal support, and extend to prevention and early detection of these conditions. The Association receives no direct government funding and relies on donors and other fundraising efforts for its revenues.

The Association, a not-for-profit organization incorporated under the Corporations Act of Ontario, is a registered charity under the provisions of the Income Tax Act of Canada.

1 / Significant Accounting Policies

These financial statements have been prepared based on the following accounting policies, in accordance with Canadian accounting standards for not-for-profit organizations.

a. Financial Instruments

All of the organization's financial instruments are stated at amortized cost, less impairment of value if any.

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 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.

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Spina Bifida and Hydrocephalus Association of Ontario

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2015

1 / 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.

2 / Endowment Investments and Security Deposit

	2015	2014
Bank guaranteed investment certificates; interest at 1.2% maturing in the 2016 fiscal year	\$182,334	\$181,222
Credit Union term deposit, bearing interest at 2.75% receivable annually, maturing September 7, 2019	35,650	35,550
Savings accounts	280	308
Total endowment investments	218,264	217,080
Security deposit - hypothecated portion of a bank guaranteed investment certificate; interest at 1.2%, maturing in the 2015 fiscal year	-	10,000
	\$218,264	\$227,080

The amount of \$10,000 has been hypothecated from one guaranteed investment certificate of \$20,000 as security for a letter of guarantee provided by the Association's bank to satisfy regulatory requirements with respect to a fundraising raffle.

3 / Equipment

	2015		2014	
	Cost	Accumulated Amortization	Net	Net
Office furniture and equipment	\$13,106	\$10,252	\$2,854	\$4,280
Computers and peripherals	6,827	6,827	-	-
Computer software	3,523	3,523	-	338
	\$23,456	\$20,602	\$2,854	\$4,618

The Association is still in possession of certain equipment 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, 2015

4 / 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:

	2015	2014
Balance, beginning of year	\$14,738	\$9,088
Amounts recognized as income during the year	(9,700)	(5,000)
Amounts received and deferred during the year	8,661	10,650
Balance, end of year	\$13,699	\$14,738

5 / 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.

6 / Lottery and Bingo Revenues

	2015	2014
Break open lottery proceeds net of awarded prizes	\$290,594	\$294,047
Less: Retailer commissions and supplier fees	(90,233)	(90,518)
Provincial fees and licences	(55,237)	(55,908)
Ticket printing and other direct costs	(41,513)	(40,068)
	103,611	107,553
Bingo revenues net of awarded prizes	84,170	91,214
Proceeds from calendar lottery net of prizes paid and direct costs of \$17,775 (2014 - \$18,504)	22,185	20,956
	\$209,966	\$219,723

7 / Fundraising Event and Activity Revenues

	2015	2014
Golf tournaments, walks and third-party events	\$78,529	\$99,357
Less direct costs	(13,242)	(18,156)
	\$65,287	\$81,201

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Spina Bifida and Hydrocephalus Association of Ontario

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2015

8 / Investment Income

	2015	2014
Income earned on unrestricted resources	\$1,425	\$1,648
Income earned on resources held for scholarship endowments	3,177	3,708
Total investment income earned in the period	4,602	5,356
Less amount added to deferred contributions	(961)	(949)
Investment income recognized as revenue for the year	\$3,641	\$4,407

9 / Commitments

The Association has entered into an operating lease for its office premises and contracts for operating leases and servicing office equipment. Minimum future payments under the leases are as follows:

2016	\$40,096
2017	42,602
2018	42,602
2019	45,108
2020	45,108
	<u>\$215,516</u>

In addition to the above amounts, a share of property taxes, operating costs and utilities are payable monthly with respect to the premises, which were approximately \$3,200 per month for the 2015 fiscal year. The premises lease includes a signing incentive of rent-free periods for which adjustments are being made to amortize the value of the incentive over the term of the lease.

10 / Financial Instrument Risks

The Association's investments 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. Investments and amounts receivable are also subject to credit risk, being the possibility that parties could default on their financial obligations. Liquidity risk that financial obligations may not be met exists as is does for all entities.