

**Spina Bifida and Hydrocephalus  
Association of Ontario**

**ANNUAL FINANCIAL STATEMENTS**

**February 29, 2016**

## 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 29, 2016, 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, 2016, 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 Professional Accountants / Licensed Public Accountants  
June 29, 2016

Spina Bifida and Hydrocephalus Association of Ontario

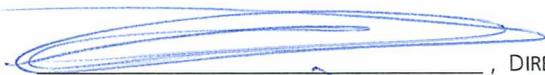
STATEMENT OF FINANCIAL POSITION

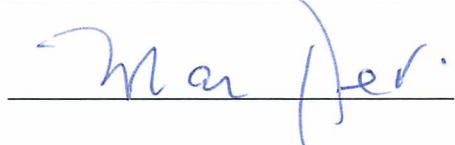
February 29, 2016

Statement 1

	2016	2015
<b>ASSETS</b>		
Current		
Cash and short-term deposits	\$190,410	\$145,940
Accounts receivable	37,040	37,123
Deposits and prepaid expenses	45,846	44,901
	<b>273,296</b>	<b>227,964</b>
Endowment investments (note 2)	215,697	218,264
Equipment (note 3)	1,427	2,854
	<b>\$490,420</b>	<b>\$449,082</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$56,440	\$22,224
Deferred contributions (note 4)	33,450	13,699
	<b>89,890</b>	<b>35,923</b>
Deferred premises rent - lease incentive (note 10)	21,610	26,086
	<b>111,500</b>	<b>62,009</b>
<b>NET ASSETS (note 5) (Statement 2)</b>		
Net assets invested in equipment	1,427	2,854
Net assets internally restricted for research	11,460	11,460
Net assets restricted for scholarship endowments	215,451	214,231
Unrestricted net assets	150,582	158,528
	<b>378,920</b>	<b>387,073</b>
	<b>\$490,420</b>	<b>\$449,082</b>

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, 2016

Statement 2

					2016	2015
<b>Net assets</b>	Invested in equipment	Restricted for research	Restricted for scholarship endowments	Unrestricted	<b>Total</b>	Total
Beginning of year	\$2,854	\$11,460	\$214,231	\$158,528	<b>\$387,073</b>	\$422,851
(Expenses over revenues) revenues over expenses ( <i>Statement 3</i> )	(1,427)		-	(7,946)	<b>(9,373)</b>	(36,379)
Endowment contributions and reinvested portion of interest income	-	-	1,220	-	<b>1,220</b>	601
End of year	\$1,427	\$11,460	\$215,451	\$150,582	<b>\$378,920</b>	\$387,073

*Refer to the accompanying notes.*

## Spina Bifida and Hydrocephalus Association of Ontario

### STATEMENT OF OPERATIONS

Year ended February 29, 2016

Statement 3

	2016	2015
<b>Revenues</b>		
Fundraising		
Lottery and bingo (note 6)	<b>\$213,737</b>	\$209,966
Donations (note 9)	<b>160,556</b>	142,535
Events and activities (note 7)	<b>81,461</b>	65,287
	<b>455,754</b>	417,788
Membership dues	<b>6,575</b>	6,395
Investment income (note 8)	<b>8,099</b>	3,641
	<b>470,428</b>	427,824
<b>Expenses (Schedule 1)</b>		
Programs and services		
Awareness and education	<b>231,118</b>	234,764
Care and support	<b>94,452</b>	95,949
Advocacy	<b>24,010</b>	31,776
Research	<b>12,165</b>	13,544
Scholarships	<b>8,000</b>	6,000
	<b>369,745</b>	382,033
Financial resource development	<b>49,657</b>	47,030
General administration	<b>30,602</b>	33,376
Organizational study (note 9)	<b>28,370</b>	-
Amortization of equipment	<b>1,427</b>	1,764
	<b>479,801</b>	464,203
<b>Excess of expenses over revenues for the year</b>	<b>(\$9,373)</b>	(\$36,379)

Refer to the accompanying notes.

**Spina Bifida and Hydrocephalus Association of Ontario**

STATEMENT OF CASH FLOWS

Year ended February 29, 2016

Statement 4

	2016	2015
<b>Cash provided by (used for):</b>		
Operating activities		
Operating revenue sources	<b>\$486,127</b>	\$424,792
Interest received	<b>4,135</b>	3,641
Payments on account of expenses	<b>(449,579)</b>	(477,595)
	<b>40,683</b>	(49,162)
Endowment contributions received and reinvested investment income	<b>1,220</b>	601
Decrease (increase) in endowment investments	<b>2,567</b>	8,816
<b>Net decrease in cash for the year</b>	<b>44,470</b>	(39,745)
Cash and short-term deposits, beginning of year	<b>145,940</b>	185,685
Cash and short-term deposits, end of year	<b>\$190,410</b>	\$145,940

*Refer to the accompanying notes.*

**Spina Bifida and Hydrocephalus Association of Ontario**

SCHEDULE OF EXPENSE COMPONENTS

Year ended February 29, 2016

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:

	2016				2015			
	Personnel remuneration	Occupancy costs	Direct program, postage and other	Total	Personnel remuneration	Occupancy costs	Direct program, postage and other	Total
Awareness and education	\$157,487	\$33,992	\$39,639	<b>\$231,118</b>	\$163,578	\$31,559	\$39,627	\$234,764
Care and support	\$46,436	32,758	15,258	<b>\$94,452</b>	\$50,491	28,885	16,573	\$95,949
Advocacy	\$15,708	3,809	4,493	<b>\$24,010</b>	\$21,074	3,670	7,032	\$31,776
Research	\$9,844	1,052	1,269	<b>\$12,165</b>	\$10,458	2,670	416	\$13,544
Financial resource development	\$42,032	1,523	6,102	<b>\$49,657</b>	\$40,374	1,413	5,243	\$47,030
Organizational study <i>(note 9)</i>	\$23,829	-	4,541	<b>\$28,370</b>	-	-	-	-
General administration	\$10,615	3,047	16,940	<b>\$30,602</b>	\$11,621	1,491	20,264	\$33,376
	<b>\$305,951</b>	<b>76,181</b>	<b>88,242</b>	<b>\$470,374</b>	<b>\$297,596</b>	<b>69,688</b>	<b>89,155</b>	<b>\$456,439</b>

*Refer to the accompanying notes.*

## Spina Bifida and Hydrocephalus Association of Ontario

### NOTES TO THE FINANCIAL STATEMENTS

February 29, 2016

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#### 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 29, 2016

#### 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 which are not restricted for endowments.

#### 2 / Endowment Investments

	2016	2015
Bank guaranteed investment certificates; interest at 1.05% (2015 - 1.2%) maturing in the 2017 fiscal year	<b>\$179,782</b>	\$182,334
Credit Union term deposit, bearing interest at 2.75% receivable annually, maturing September 7, 2019	<b>35,650</b>	35,650
Savings accounts	<b>265</b>	280
	<b>\$215,697</b>	\$218,264

#### 3 / Equipment

	2016		2015	
	Cost	Accumulated Amortization	Net	Net
Office furniture and equipment	\$13,106	\$11,679	<b>\$1,427</b>	\$2,854
Computers and peripherals	6,827	6,827	-	-
Computer software	3,523	3,523	-	-
	<b>\$23,456</b>	<b>\$22,029</b>	<b>\$1,427</b>	<b>\$2,854</b>

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 29, 2016

#### 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:

	2016	2015
Balance, beginning of year	\$13,699	\$14,738
Restricted amounts received and deferred during the year	60,821	8,661
Restricted amounts recognized as income during the year	(41,070)	(9,700)
Balance, end of year	\$33,450	\$13,699

#### 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

	2016	2015
Break open lottery proceeds net of awarded prizes	\$281,858	\$290,594
Less: Retailer commissions and supplier fees	(90,805)	(90,233)
Provincial fees and licences	(53,826)	(55,237)
Ticket printing and other direct costs	(38,224)	(41,513)
	99,003	103,611
Bingo revenues net of awarded prizes	92,826	84,170
Proceeds from calendar lottery net of prizes paid and direct costs of \$16,842 (2015 - \$17,775)	21,908	22,185
	\$213,737	\$209,966

#### 7 / Fundraising Event and Activity Revenues

	2016	2015
Golf tournaments, walks and third-party events	\$96,687	\$78,529
Less direct costs	(15,226)	(13,242)
	\$81,461	\$65,287

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## Spina Bifida and Hydrocephalus Association of Ontario

### NOTES TO THE FINANCIAL STATEMENTS

February 29, 2016

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#### 8 / Investment Income

	2016	2015
Income earned on unrestricted resources	\$934	\$1,425
Income earned on resources held for scholarship endowments	8,076	3,177
Total investment income earned in the period	9,010	4,602
Less amount added to deferred contributions	(911)	(961)
Investment income recognized as revenue for the year	\$8,099	\$3,641

#### 9 / Organizational Study

The Association is conducting a project to research needs and to develop a plan for expanding services to improve treatment, support, research and education connected specifically with the condition of hydrocephalus. Donation revenue includes \$28,730 of a donation that is restricted for use on this project. Substantially all of the project is funded by this donation.

#### 10 / 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:

2017	42,602
2018	42,602
2019	45,108
2020	45,108
	<u>\$175,420</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 2016 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.

#### 11 / 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.