

Hydrocephalus Canada

ANNUAL FINANCIAL STATEMENTS

February 28, 2019

INDEPENDENT AUDITORS' REPORT

To the members of
Hydrocephalus Canada

Qualified Opinion

We have audited the accompanying financial statements of Hydrocephalus Canada, which comprise the statement of financial position as at February 28, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of the organization as at February 28, 2019 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenues from cash donations and fundraising revenues activities and events, the completeness of 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 organization 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.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

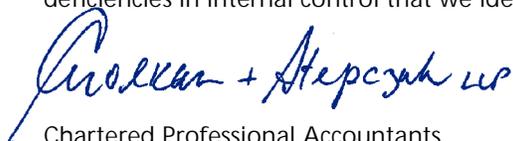
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with Canadian auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
August 9, 2019

Hydrocephalus Canada

STATEMENT OF FINANCIAL POSITION

February 28, 2019

Statement 1

	2019	2018
ASSETS		
Current		
Cash and cash equivalents	\$116,807	\$122,675
Accounts receivable	26,232	23,574
Deposits and prepaid expenses	23,330	37,057
	166,369	183,306
Endowment investments (note 2)	222,631	221,014
Equipment (note 3)	2,372	2,095
	\$391,372	\$406,415
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$11,800	\$21,516
Deferred contributions (note 4)	12,037	8,963
	23,837	30,479
NET ASSETS (note 5) (Statement 2)		
Net assets internally restricted for research	11,735	11,510
Net assets restricted for scholarship endowments	218,228	218,223
Unrestricted net assets	137,572	146,203
	367,535	375,936
	\$391,372	\$406,415

APPROVED ON BEHALF OF THE BOARD:

 _____, DIRECTOR

 _____, DIRECTOR

Refer to the accompanying notes.

Hydrocephalus Canada

STATEMENT OF CHANGES IN NET ASSETS

Year ended February 28, 2019

Statement 2

				2019	2018
Net assets	Restricted for research	Restricted for scholarship endowments	Unrestricted	Total	Total
Beginning of year	\$11,510	\$218,223	\$146,203	\$375,936	\$386,545
(Expenses over revenues) revenues over expenses (Statement 3)	225	5	(8,631)	(8,401)	(13,181)
Endowment contributions	-	-	-	-	2,572
End of year	\$11,735	\$218,228	\$137,572	\$367,535	\$375,936

Refer to the accompanying notes.

Hydrocephalus Canada

STATEMENT OF OPERATIONS

Year ended February 28, 2019

Statement 3

	2019	2018
Revenues		
Fundraising		
Lottery and bingo (note 6)	\$155,702	\$180,848
Donations	102,571	87,930
Events and activities (note 7)	50,251	70,764
	308,524	339,542
Membership dues	3,000	4,985
Investment income (note 8)	3,299	2,097
	314,823	346,624
Expenses (Schedule 1)		
Programs and services		
Awareness and education	162,862	171,307
Care and support	67,185	82,829
Advocacy	34,968	24,905
Research	6,533	8,445
Scholarships	3,900	3,983
	275,448	291,469
General administration	27,178	27,031
Fund development	20,129	33,156
Organizational study	-	7,645
Amortization of equipment	699	504
	323,454	359,805
Excess of (expenses over revenues)		
revenues over expenses for the year	(\$8,631)	(\$13,181)

Refer to the accompanying notes.

Hydrocephalus Canada

STATEMENT OF CASH FLOWS

Year ended February 28, 2019

Statement 4

	2019	2018
Cash provided by (used for):		
Operating activities		
Operating revenue sources	\$308,001	\$361,288
Interest received	4,712	3,417
Payments on account of expenses	(315,993)	(356,092)
	(3,280)	8,613
Investment activities		
Purchase of equipment	(976)	(2,599)
Interest allocated to endowment investments	(1,612)	(622)
Net increase (decrease) in cash for the year	(5,868)	5,392
Cash and cash equivalents, beginning of year	122,675	117,283
Cash and cash equivalents, end of year	\$116,807	\$122,675

Refer to the accompanying notes.

Hydrocephalus Canada

SCHEDULE OF EXPENSE COMPONENTS

Year ended February 28, 2019

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:

	2019				2018			
	Personnel remuneration	Occupancy costs	Direct program, postage and other	Total	Personnel remuneration	Occupancy costs	Direct program, postage and other	Total
Awareness and education	\$76,673	\$18,864	\$67,325	\$162,862	\$91,984	\$17,905	\$61,418	\$171,307
Care and support	34,294	17,216	15,675	67,185	37,956	17,766	27,107	\$82,829
Advocacy	6,296	2,459	26,213	34,968	8,946	1,516	14,443	24,905
Research	5,475	410	648	6,533	7,620	-	825	8,445
Fund development	8,088	820	11,221	20,129	29,119	826	3,211	33,156
Organizational study	-	-	-	-	\$4,868	-	2,777	7,645
General administration	1,914	722	24,542	27,178	1,898	1,602	23,531	27,031
	\$132,740	\$40,491	\$145,624	\$318,855	\$182,391	\$39,615	\$133,312	\$355,318

Refer to the accompanying notes.

Hydrocephalus Canada

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2019

Nature of Organization

Hydrocephalus Canada ("the organization") is dedicated to empowering those impacted by hydrocephalus to experience the best life possible. The organization's efforts are focussed on creating solutions to support prevention and early, accurate diagnosis of hydrocephalus, access to safe, effective and appropriate treatment, the advancement of new treatments, optimal outcomes and ultimately, the discovery of a cure. Activities for the organization fall under four primary areas of influence. These are education, awareness, support and research.

The organization was formerly named the Spina Bifida and Hydrocephalus Association of Ontario. It filed Articles of Continuance under Canada Not-for-profit Corporations Act with its new name on September 28, 2018. It 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 organization uses the straight-line method and the following rates of amortization: computers and peripherals - 4 years; computer software - 7 years; office furniture and equipment - 5 years; lottery equipment - 4 years. The value of equipment is removed from the accounts after it is fully amortized.

c. Revenue recognition

The organization 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 organization 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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Hydrocephalus Canada

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2019

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, balances on current deposit and short-term deposits redeemable at any time, all with chartered banks, and which are not restricted for endowments.

2 / Endowment Investments

	2019	2018
Bank guaranteed investment certificates; interest at 1.5% - 2.5% (2018 - 1.2%) maturing in the 2019 fiscal year	\$184,308	\$182,827
Credit Union term deposit, bearing interest at 2.75% receivable annually, maturing September 7, 2019	35,650	35,650
Savings accounts	2,673	2,537
	<u>\$222,631</u>	<u>\$221,014</u>

3 / Equipment

	2019		2018	
	Cost	Accumulated Amortization	Net	Net
Office equipment	\$3,575	\$1,203	\$2,372	\$2,095

The organization is still in possession of various pieces of equipment that are not reflected in the figures above because their costs of acquisition have been fully amortized.

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Hydrocephalus Canada

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2019

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:

	2019	2018
Balance, beginning of year	\$8,963	\$5,496
Restricted amounts deferred as at February, 28, 2019	9,074	6,400
Restricted amounts recognized as income during the year	(6,000)	(2,933)
Balance, end of year	\$12,037	\$8,963

The figures in the 2018 column above have been adjusted for comparison purposes.

5 / 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

	2019	2018
Break open lottery proceeds net of awarded prizes	\$195,557	\$214,201
Less: Retailer commissions and supplier fees	(60,555)	(65,604)
Provincial fees and licences	(38,554)	(43,048)
Ticket printing and other direct costs	(27,398)	(29,873)
	69,050	75,676
Bingo revenues net of awarded prizes	90,829	90,299
Proceeds from calendar lottery net of prizes paid and direct costs of \$0 (2018 - \$15,758)	125	14,873
Less allowance for uncollectible amounts	(4,302)	-
	\$155,702	\$180,848

7 / Fundraising Event and Activity Revenues

	2019	2018
Golf tournaments, walks and third-party events	\$60,294	\$84,299
Less direct costs	(10,043)	(13,535)
	\$50,251	\$70,764

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Hydrocephalus Canada

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2019

8 / Investment Income

	2019	2018
Income earned on unrestricted resources	\$421	\$416
Income earned on resources held for scholarship endowments	4,452	2,081
Total investment income earned in the period	4,873	2,497
Less amount added to deferred contributions	(1,574)	(400)
Investment income recognized as revenue for the year	\$3,299	\$2,097

9 / Commitments

The organization has entered into a lease for its office premises and into contracts for equipment operating leases. Minimum future payments under these commitments are as follows:

2020 \$16,250

In addition to the minimum premises lease payments included above, additional rent for a share of building operating costs is payable during the lease which at February 28, 2019 was \$2,204 monthly.

10 / Financial Instrument Risks

The organization'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.