

**Spina Bifida and Hydrocephalus  
Association of Ontario**

**ANNUAL FINANCIAL STATEMENTS**

**February 28, 2017**

## 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, 2017, 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, 2017, 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 27, 2017

## Spina Bifida and Hydrocephalus Association of Ontario

### STATEMENT OF FINANCIAL POSITION

February 28, 2017

Statement 1

	2017	2016
<b>ASSETS</b>		
Current		
Cash and short-term deposits	<b>\$117,283</b>	\$190,410
Accounts receivable	<b>38,188</b>	37,040
Deposits and prepaid expenses	<b>37,410</b>	45,846
	<b>192,881</b>	273,296
Endowment investments (note 2)	<b>217,820</b>	215,697
Equipment (note 3)	-	1,427
	<b>\$410,701</b>	\$490,420
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	<b>\$18,660</b>	\$56,440
Deferred contributions (note 4)	<b>5,496</b>	33,450
	<b>24,156</b>	89,890
Deferred premises rent - lease incentive (note 10)	-	21,610
	<b>24,156</b>	111,500
<b>NET ASSETS (note 5) (Statement 2)</b>		
Net assets invested in equipment	-	1,427
Net assets internally restricted for research	<b>11,510</b>	11,460
Net assets restricted for scholarship endowments	<b>215,651</b>	215,451
Unrestricted net assets	<b>159,384</b>	150,582
	<b>386,545</b>	378,920
	<b>\$410,701</b>	\$490,420

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, 2017

Statement 2

					<b>2017</b>	2016
<b>Net assets</b>	Invested in equipment	Restricted for research	Restricted for scholarship endowments	Unrestricted	<b>Total</b>	Total
Beginning of year	\$1,427	\$11,460	\$215,451	\$150,582	<b>\$378,920</b>	\$387,073
Revenues over expenses (expenses over revenues) ( <i>Statement 3</i> )	(1,427)		-	8,802	<b>7,375</b>	(9,373)
Endowment contributions and reinvested portion of interest income	-	50	200	-	<b>250</b>	1,220
End of year	\$ -	\$11,510	\$215,651	\$159,384	<b>\$386,545</b>	\$378,920

*Refer to the accompanying notes.*

## Spina Bifida and Hydrocephalus Association of Ontario

### STATEMENT OF OPERATIONS

Year ended February 28, 2017

Statement 3

	2017	2016
<b>Revenues</b>		
Fundraising		
Lottery and bingo (note 6)	\$207,835	\$213,737
Donations (note 9)	128,733	160,556
Events and activities (note 7)	80,628	81,461
	417,196	455,754
Membership dues	5,198	6,575
Investment income (note 8)	2,762	8,099
	425,156	470,428
<b>Expenses (Schedule 1)</b>		
Programs and services		
Awareness and education	204,332	231,118
Care and support	87,328	94,452
Advocacy	20,959	24,010
Research	8,503	12,165
Scholarships	4,000	8,000
	325,122	369,745
Fund development	39,790	49,657
General administration	28,725	30,602
Organizational study (note 9)	25,986	28,370
Amortization of equipment	1,427	1,427
	421,050	479,801
Result for the year before the following	4,106	(9,373)
Relocation of premises (note 10)		
Gain on termination of premises lease	17,880	-
Moving costs	(14,611)	-
Net gain	3,269	-
<b>Excess of revenues over expenses (expenses over revenues) for the year</b>	<b>\$7,375</b>	<b>(\$9,373)</b>

Refer to the accompanying notes.

**Spina Bifida and Hydrocephalus Association of Ontario**

## STATEMENT OF CASH FLOWS

Year ended February 28, 2017

Statement 4

	2017	2016
<b>Cash provided by (used for):</b>		
Operating activities		
Operating revenue sources	\$393,292	\$486,127
Interest received	2,762	4,135
Payments on account of expenses	(467,308)	(449,579)
	(71,254)	40,683
Endowment contributions received	250	1,220
Decrease (increase) in endowment investments	(2,123)	2,567
<b>Net increase (decrease) in cash for the year</b>	<b>(73,127)</b>	44,470
Cash and short-term deposits, beginning of year	190,410	145,940
Cash and short-term deposits, end of year	\$117,283	\$190,410

*Refer to the accompanying notes.*

## Spina Bifida and Hydrocephalus Association of Ontario

### SCHEDULE OF EXPENSE COMPONENTS

Year ended February 28, 2017

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:

	2017				2016			
	Personnel remuneration	Occupancy costs	Direct program, postage and other	Total	Personnel remuneration	Occupancy costs	Direct program, postage and other	Total
Awareness and education	\$112,872	\$32,157	\$59,303	<b>\$204,332</b>	\$125,304	\$33,992	\$71,822	\$231,118
Care and support	\$43,709	30,054	13,565	<b>\$87,328</b>	\$45,596	32,758	16,098	\$94,452
Advocacy	\$14,320	3,231	3,408	<b>\$20,959</b>	\$15,708	3,809	4,493	\$24,010
Research	\$7,958	-	545	<b>\$8,503</b>	\$9,844	1,052	1,269	\$12,165
Fund development	\$31,801	1,325	6,664	<b>\$39,790</b>	\$42,032	1,523	6,102	\$49,657
Organizational study <i>(note 9)</i>	\$4,958	-	21,028	<b>\$25,986</b>	\$2,209	-	26,161	\$28,370
General administration	\$1,446	3,917	23,362	<b>\$28,725</b>	\$6,705	3,047	20,850	\$30,602
	<b>\$217,064</b>	<b>70,684</b>	<b>127,875</b>	<b>\$415,623</b>	<b>\$247,398</b>	<b>76,181</b>	<b>146,795</b>	<b>\$470,374</b>

Refer to the accompanying notes.

## Spina Bifida and Hydrocephalus Association of Ontario

### NOTES TO THE FINANCIAL STATEMENTS

February 28, 2017

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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 28, 2017

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#### 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

	2017	2016
Bank guaranteed investment certificates; interest at 0.5% - 0.9% (2016 - 1.05%) maturing in the 2018 fiscal year	<b>\$181,920</b>	\$179,782
Credit Union term deposit, bearing interest at 2.75% receivable annually, maturing September 7, 2019	<b>35,650</b>	35,650
Savings accounts	<b>250</b>	265
	<b>\$217,820</b>	\$215,697

#### 3 / Equipment

	2017		2016	
	Cost	Accumulated Amortization	Net	Net
Office furniture and equipment	\$13,106	\$13,106	<b>\$ -</b>	\$1,427

The Association is still in possession of certain equipment that are not reflected in the figures 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, 2017

#### 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:

	2017	2016
Balance, beginning of year	\$33,450	\$13,699
Restricted amounts received and deferred during the year	7,961	60,821
Restricted amounts recognized as income during the year	(35,915)	(41,070)
Balance, end of year	\$5,496	\$33,450

#### 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

	2017	2016
Break open lottery proceeds net of awarded prizes	\$242,730	\$281,858
Less: Retailer commissions and supplier fees	(74,845)	(90,805)
Provincial fees and licences	(43,524)	(53,826)
Ticket printing and other direct costs	(34,650)	(38,224)
	89,711	99,003
Bingo revenues net of awarded prizes	98,484	92,826
Proceeds from calendar lottery net of prizes paid and direct costs of \$15,585 (2016 - \$16,842)	19,640	21,908
	\$207,835	\$213,737

#### 7 / Fundraising Event and Activity Revenues

	2017	2016
Golf tournaments, walks and third-party events	\$94,530	\$96,687
Less direct costs	(13,902)	(15,226)
	\$80,628	\$81,461

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## Spina Bifida and Hydrocephalus Association of Ontario

### NOTES TO THE FINANCIAL STATEMENTS

February 28, 2017

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#### 8 / Investment Income

	2017	2016
Income earned on unrestricted resources	\$739	\$934
Income earned on resources held for scholarship endowments	2,676	8,076
Total investment income earned in the period	3,415	9,010
Less amount added to deferred contributions	(653)	(911)
Investment income recognized as revenue for the year	\$2,762	\$8,099

#### 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 \$25,986 (2016 - \$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 a lease for its office premises and into contracts for equipment operating leases and maintenance. Minimum future payments under these commitments are as follows:

2018	\$18,596
2019	14,310
2020	11,925
	<u>\$44,831</u>

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, 2017 was \$2,250 monthly.

In December 2016, the Association relocated to reduce its occupancy costs going forward by approximately 50%. It was released from the lease for its former premises with no penalty nor any requirement to compensate the landlord for the lease inducement incentives received at the start of that lease. The deferred rent liability was thus eliminated resulting in the gain shown on the statement of operations.

#### 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.

#### 12 / Comparative Figures

Certain comparative amounts presented for the preceding year have been reclassified to conform with the financial statement presentation adopted for the current year.