

**Hydrocephalus Canada**  
*(formerly Spina Bifida & Hydrocephalus Association of Ontario)*

**ANNUAL FINANCIAL STATEMENTS**

**February 28, 2018**

## INDEPENDENT AUDITORS' REPORT

To the members of  
**Hydrocephalus Canada**

We have audited the accompanying financial statements of Hydrocephalus Canada, which comprise the statement of financial position as at February 28, 2018, 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 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.

### 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 Hydrocephalus Canada as at February 28, 2018, 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 26, 2018

**Hydrocephalus Canada**


STATEMENT OF FINANCIAL POSITION

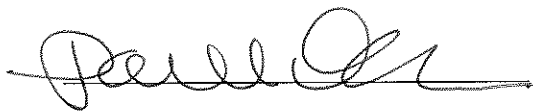
February 28, 2018

Statement 1

	2018	2017
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$122,675	\$117,283
Accounts receivable	23,574	38,188
Deposits and prepaid expenses	37,057	37,410
	183,306	192,881
Endowment investments (note 2)	221,014	217,820
Equipment (note 3)	2,095	-
	\$406,415	\$410,701
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$21,516	\$18,660
Deferred contributions (note 4)	8,963	5,496
	30,479	24,156
<b>NET ASSETS (note 5) (Statement 2)</b>		
Net assets internally restricted for research	11,510	11,510
Net assets restricted for scholarship endowments	218,223	215,651
Unrestricted net assets	146,203	159,384
	375,936	386,545
	\$406,415	\$410,701

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, 2018

Statement 2

Net assets	2018		2017	
	Restricted for research	Unrestricted	Restricted for scholarship endowments	Total
Beginning of year	\$11,510	\$159,384	\$215,651	\$378,920
(Expenses over revenues) revenues over expenses ( <i>Statement 3</i> )	-	(13,181)	(13,181)	7,375
Endowment contributions	-	-	2,572	250
End of year	\$11,510	\$146,203	\$218,223	\$386,545
		<b>\$375,936</b>	<b>\$386,545</b>	<b>\$386,545</b>

Refer to the accompanying notes.

## Hydrocephalus Canada

### STATEMENT OF OPERATIONS

Year ended February 28, 2018

Statement 3

	2018	2017
<b>Revenues</b>		
Fundraising		
Lottery and bingo (note 6)	\$180,848	\$207,835
Donations (note 9)	87,930	128,733
Events and activities (note 7)	70,764	80,628
	<b>339,542</b>	<b>417,196</b>
Membership dues	4,985	5,198
Investment income (note 8)	2,097	2,762
	<b>346,624</b>	<b>425,156</b>
<b>Expenses (Schedule 1)</b>		
Programs and services		
Awareness and education	171,307	204,332
Care and support	82,829	87,328
Advocacy	24,905	20,959
Research	8,445	8,503
Scholarships	3,983	4,000
	<b>291,469</b>	<b>325,122</b>
Fund development	33,156	39,790
General administration	27,031	28,725
Organizational study (note 9)	7,645	25,986
Amortization of equipment	504	1,427
	<b>359,805</b>	<b>421,050</b>
Result for the year before the following	(13,181)	4,106
Relocation of premises, net gain	-	3,269
Excess of (expenses over revenues) revenues over expenses for the year	<b>(\$13,181)</b>	<b>\$7,375</b>

Refer to the accompanying notes.

**Hydrocephalus Canada**

## STATEMENT OF CASH FLOWS

Year ended February 28, 2018

Statement 4

	2018	2017
<b>Cash provided by (used for):</b>		
Operating activities		
Operating revenue sources	\$361,288	\$393,292
Interest received	3,417	2,762
Payments on account of expenses	(356,092)	(467,308)
	8,613	(71,254)
Investment activities		
Purchase of equipment	(2,599)	-
Interest allocated to endowment investments	(622)	(1,873)
<b>Net increase (decrease) in cash for the year</b>	<b>5,392</b>	<b>(73,127)</b>
Cash and cash equivalents, beginning of year	117,283	190,410
Cash and cash equivalents, end of year	\$122,675	\$117,283

*Refer to the accompanying notes.*

Hydrocephalus Canada

SCHEDULE OF EXPENSE COMPONENTS

Year ended February 28, 2018

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:

	2018				2017			
	Personnel remuneration	Occupancy costs	Direct program, postage and other	Total	Personnel remuneration	Occupancy costs	Direct program, postage and other	Total
Awareness and education	\$91,984	\$17,905	\$61,418	\$171,307	\$112,872	\$32,157	\$59,303	\$204,332
Care and support	\$37,956	17,766	27,107	\$82,829	\$43,709	30,054	13,565	\$87,328
Advocacy	\$8,946	1,516	14,443	\$24,905	\$14,320	3,231	3,408	\$20,959
Research	\$7,620	-	825	\$8,445	\$7,958	-	545	\$8,503
Fund development	\$29,119	826	3,211	\$33,156	\$31,801	1,325	6,664	\$39,790
Organizational study (note 9)	\$4,868	-	2,777	\$7,645	\$4,958	-	21,028	\$25,986
General administration	\$1,898	1,602	23,531	\$27,031	\$1,446	3,917	23,362	\$28,725
	\$182,391	39,615	133,312	\$355,318	\$217,064	70,684	127,875	\$415,623

Refer to the accompanying notes.

## Hydrocephalus Canada

### NOTES TO THE FINANCIAL STATEMENTS

February 28, 2018

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#### 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, 2017. 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, 2018

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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, 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

	2018	2017
Bank guaranteed investment certificates; interest at 0.5% - 1.9% (2017 - 0.9%) maturing in the 2019 fiscal year	\$182,827	\$181,920
Credit Union term deposit, bearing interest at 2.75% receivable annually, maturing September 7, 2019	35,650	35,650
Savings accounts	2,537	250
	<b>\$221,014</b>	<b>\$217,820</b>

#### 3 / Equipment

	2018		2017	
	Cost	Accumulated Amortization	Net	Net
Office equipment	\$2,599	\$504	\$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, 2018

#### 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:

	2018	2017
Balance, beginning of year	\$5,496	\$33,450
Restricted amounts received and deferred during the year	23,034	7,961
Restricted amounts recognized as income during the year	(19,567)	(35,915)
Balance, end of year	\$8,963	\$5,496

#### 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

	2018	2017
Break open lottery proceeds net of awarded prizes	\$214,201	\$242,730
Less: Retailer commissions and supplier fees	(65,604)	(74,845)
Provincial fees and licences	(43,048)	(43,524)
Ticket printing and other direct costs	(29,873)	(34,650)
	75,676	89,711
Bingo revenues net of awarded prizes	90,299	98,484
Proceeds from calendar lottery net of prizes paid and direct costs of \$15,758 (2017 - \$15,585)	14,873	19,640
	\$180,848	\$207,835

#### 7 / Fundraising Event and Activity Revenues

	2018	2017
Golf tournaments, walks and third-party events	\$84,299	\$94,530
Less direct costs	(13,535)	(13,902)
	\$70,764	\$80,628

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## Hydrocephalus Canada

### NOTES TO THE FINANCIAL STATEMENTS

February 28, 2018

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#### 8 / Investment Income

	2018	2017
Income earned on unrestricted resources	\$416	\$739
Income earned on resources held for scholarship endowments	2,081	2,676
Total investment income earned in the period	2,497	3,415
Less amount added to deferred contributions	(400)	(653)
Investment income recognized as revenue for the year	\$2,097	\$2,762

#### 9 / Organizational Study

The organization conducted 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 \$7,645 (2017 -\$25,986) of a donation that was restricted for use on this project, which was entirely funded over several years by such restricted donations.

#### 10 / 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:

2019	\$17,670
2020	15,190
	<u>\$32,860</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, 2018 was \$2,204 monthly.

#### 11 / 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.