

Hydrocephalus Canada

ANNUAL FINANCIAL STATEMENTS

February 28, 2023



CHARTERED  
PROFESSIONAL  
ACCOUNTANTS LLP

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## INDEPENDENT AUDITORS' REPORT

To the members of  
Hydrocephalus Canada

### Opinion

We have audited the accompanying financial statements of Hydrocephalus Canada, which comprise the statement of financial position as at February 28, 2023, 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, the financial statements present fairly, in all material respects, the financial position of the organization as at February 28, 2023 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 Opinion

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 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.

### 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.

*CS Chartered Professional Accountants LLP*

Licensed Public Accountants

Toronto, Ontario  
June 22, 2023

Hydrocephalus Canada

STATEMENT OF FINANCIAL POSITION

February 28, 2023

Statement 1

	2023	2022
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$425,747	\$397,379
Accounts receivable	35,868	22,854
Deposits and prepaid expenses	29,420	22,644
	491,035	442,877
Endowment investments (note 2)	222,961	221,446
Equipment (note 3)	6,422	8,758
	<b>\$720,418</b>	<b>\$673,081</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$13,203	\$13,772
Deferred contributions (note 4)	17,212	36,234
	30,415	50,006
<b>NET ASSETS (note 5) (Statement 2)</b>		
Net assets internally restricted for research	6,000	6,000
Net assets restricted for scholarship endowments	218,278	218,228
Unrestricted net assets	465,725	398,847
	690,003	623,075
	<b>\$720,418</b>	<b>\$673,081</b>

APPROVED ON BEHALF OF THE BOARD:

*Gillian Au*

\_\_\_\_\_, DIRECTOR

*Paul G.*

\_\_\_\_\_, DIRECTOR

Refer to the accompanying notes.

Hydrocephalus Canada

STATEMENT OF CHANGES IN NET ASSETS

Year ended February 28, 2023

Statement 2

				2023	2022
Net assets	Restricted for research	Restricted for scholarship endowments	Unrestricted	Total	Total
Beginning of year	\$6,000	\$218,228	\$398,847	\$623,075	\$524,148
Revenues over expenses (Statement 3)	-	50	66,878	66,928	98,927
Internally restricted, transfers	-	-	-	-	-
End of year	\$6,000	\$218,278	\$465,725	\$690,003	\$623,075

Refer to the accompanying notes.

## Hydrocephalus Canada

## STATEMENT OF OPERATIONS

Year ended February 28, 2023

Statement 3

	2023	2022
<b>Revenues</b>		
Fundraising		
Lottery and bingo (note 6)	\$235,982	\$155,887
Donations	135,918	168,678
Events and activities (note 7)	30,361	24,321
	402,261	348,886
Government grants and subsidies (note 8)	53,252	121,376
Investment income (note 9)	9,547	2,397
Membership dues	1,075	2,140
	466,135	474,799
<b>Expenses (Schedule 1)</b>		
Programs and services		
Awareness and education	170,760	156,647
Care and support	102,993	108,836
Advocacy	20,117	15,322
Research	7,603	9,270
Scholarships	3,000	4,250
	304,473	294,325
Fund development	58,138	46,221
General administration	34,310	32,406
Amortization of equipment	2,336	2,920
	399,257	375,872
<b>Excess of revenues over expenses for the year</b>	<b>\$66,878</b>	<b>\$98,927</b>

Refer to the accompanying notes.

Hydrocephalus Canada

STATEMENT OF CASH FLOWS

Year ended February 28, 2023

Statement 4

	2023	2022
Cash provided by (used for):		
Operating activities		
Operating revenue sources	\$430,428	\$480,589
Government subsidies	-	20,307
Interest received	4,133	1,861
Payments on account of expenses	(404,728)	(387,227)
	29,833	115,530
Investing activities		
Purchases of equipment	-	(10,703)
Interest (allocated to) redeemed from endowment investments	(1,465)	(354)
	(1,465)	(11,057)
Net increase in cash for the year	28,368	104,473
Cash and cash equivalents, beginning of year	397,379	292,906
Cash and cash equivalents, end of year	\$425,747	\$397,379

Refer to the accompanying notes.

Hydrocephalus Canada

SCHEDULE OF EXPENSE COMPONENTS

Year ended February 28, 2023

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:

	2023				2022			
	Personnel remuneration	Occupancy costs	Direct program, postage and other	Total	Personnel remuneration	Occupancy costs	Direct program, postage and other	Total
Awareness and education	\$95,422	\$18,317	\$57,021	\$170,760	\$82,254	\$18,869	\$55,524	\$156,647
Care and support	61,071	16,759	25,163	102,993	64,168	17,229	27,439	\$108,836
Advocacy	9,962	2,337	7,818	20,117	7,634	2,461	5,227	15,322
Research	4,892	459	2,252	7,603	5,118	400	3,752	9,270
Fund development	33,993	779	23,366	58,138	35,794	831	9,596	46,221
General administration	2,558	1,168	30,584	34,310	2,115	1,255	29,036	32,406
	\$207,898	\$39,819	\$146,204	\$393,921	\$197,083	\$41,045	\$130,574	\$368,702

Refer to the accompanying notes.



Hydrocephalus Canada

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2023

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Nature of Organization

Hydrocephalus Canada ("the organization") is dedicated to empowering those impacted by hydrocephalus and spina bifida 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 is organized under the Canada Not-for-profit Corporations Act. It is a registered charity under provisions of the Income Tax Act of Canada.

The financial objective of Hydrocephalus Canada, as is typical of not-for-profit organizations, is to have sufficient resources available to provide for its charitable programs and other expenses while upholding the long term financial stability of the organization. Annual net asset increases or decreases resulting from operations can be expected to fluctuate from year to year due to the unpredictable timing of certain revenues and program needs. Such fluctuations are factored into planning by management to achieve the objective.

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. 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.

c. 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.

d. 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, 2023

1 / Significant Accounting Policies (continued)

e. 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.

f. 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

	2023	2022
Bank guaranteed investment certificates; interest at 3.5% (2022 - 0.9%) maturing 2024	\$183,881	\$183,177
Credit Union term deposit, bearing interest at 2% receivable annually, maturing 2024	38,022	38,022
Savings accounts	1,058	247
	<u>\$222,961</u>	<u>\$221,446</u>

3 / Equipment

	2023		2022	
	Cost	Accumulated Amortization	Net	Net
Office equipment	\$5,041	\$4,162	\$879	\$1,368
Computers & peripherals	\$9,238	\$3,695	\$5,543	\$7,390
	<u>\$14,279</u>	<u>\$7,857</u>	<u>\$6,422</u>	<u>\$8,758</u>

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.

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:

	2023	2022
Balance, beginning of year	\$36,234	\$12,960
Restricted amounts deferred as at February 28, 2023	21,393	28,263
Net restricted amounts recognized as income during the year	(40,415)	(4,989)
Balance, end of year	<u>\$17,212</u>	<u>\$36,234</u>

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Hydrocephalus Canada

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2023

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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

	2023	2022
Break open lottery proceeds net of awarded prizes	\$145,016	\$199,880
Less: Retailer commissions and supplier fees	(45,334)	(62,539)
Provincial fees and licences	(9,645)	(12,672)
Ticket printing and other direct costs	(29,230)	(28,917)
	60,807	95,752
Bingo revenues net of awarded prizes	175,175	66,042
Proceeds from 50/50 raffle net of prizes paid	-	(5,907)
	\$235,982	\$155,887

7 / Fundraising Event and Activity Revenues

	2023	2022
Golf tournaments, walks and third-party events	\$48,281	\$24,728
Less direct costs	(17,920)	(407)
	\$30,361	\$24,321

8 / Government Grants

The organization received \$14,900 (2022 - \$134,200) in funding from the Ontario Trillium Foundation (OTF). \$3,199 of the OTF grant is deferred to future periods when the related expenses are expected to be incurred.

The organization also received \$12,837 (2022 - \$14,219) through the Canada Summer Jobs program.

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Hydrocephalus Canada

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2023

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9 / Investment Income

	2023	2022
Income earned on unrestricted resources	\$8,588	\$1,170
Income earned on resources held for scholarship endowments	2,452	1,591
Total investment income earned in the period	11,040	2,761
Less amount added to deferred contributions	(1,493)	(364)
Investment income recognized as revenue for the year	\$9,547	\$2,397

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:

2024	19,080
2025	16,640
2026	15,645
2027	17,022
2028	14,185
	<u>\$82,572</u>

In addition to the base rent payments included above, additional rent for a share of building operating costs is payable throughout the lease, which at February 28, 2023 was \$2,238 monthly. Also, the organization has made a specific commitment to provide awards of \$3,000 annually until 2025.

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.