

**Spina Bifida and Hydrocephalus
Association of Ontario**

ANNUAL FINANCIAL STATEMENTS

February 28, 2014

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, 2014, 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, 2014, 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 Accountants / Licensed Public Accountants
June 13, 2014

Spina Bifida and Hydrocephalus Association of Ontario

STATEMENT OF FINANCIAL POSITION

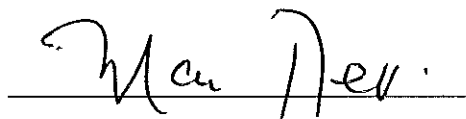
February 28, 2014

Statement 1

	2014	2013
ASSETS		
Current		
Cash and short-term deposits	\$185,685	\$230,617
Accounts receivable	38,771	40,923
Deposits and prepaid expenses	35,257	30,792
	259,713	302,332
Endowment investments and security deposit (note 2)	227,080	230,906
Equipment (note 3)	4,618	9,062
	\$491,411	\$542,300
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$31,652	\$33,782
Deferred contributions (note 4)	14,738	9,088
	46,390	42,870
Deferred premises rent - lease incentive (note 9)	22,170	9,500
	68,560	52,370
NET ASSETS (note 5) (Statement 2)		
Net assets invested in equipment	4,618	9,062
Net assets internally restricted for research	11,460	14,310
Net assets restricted for scholarship endowments	213,630	213,413
Unrestricted net assets	193,143	253,145
	422,851	489,930
	\$491,411	\$542,300

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, 2014

Statement 2

					2014	2013
Net assets	Invested in equipment	Restricted for research	Restricted for scholarship endowments	Unrestricted	Total	Total
Beginning of year	\$9,062	\$14,310	\$213,413	\$253,145	\$489,930	\$562,752
(Expenses over revenues) revenues over expenses <i>(Statement 3)</i>	(4,444)	(2,850)	-	(60,002)	(67,296)	(72,972)
Endowment contributions and reinvested portion of interest income	-	-	217	-	217	150
End of year	\$4,618	\$11,460	\$213,630	\$193,143	\$422,851	\$489,930

Refer to the accompanying notes.

Spina Bifida and Hydrocephalus Association of Ontario

STATEMENT OF OPERATIONS

Year ended February 28, 2014

Statement 3

	2014	2013
Revenues		
Fundraising		
Lottery and bingo (note 6)	\$219,723	\$230,841
Donations	114,329	129,547
Events and activities (note 7)	81,201	89,540
	415,253	449,928
Membership dues	5,780	6,585
Investment income (note 8)	4,407	5,041
	425,440	461,554
Expenses (Schedule 1)		
Programs and services		
Awareness and education	245,623	263,838
Care and support	105,093	126,254
Advocacy	31,929	28,261
Research	12,865	8,753
Scholarships	6,000	6,100
	401,510	433,206
Financial resource development	53,310	60,927
General administration	33,472	34,603
Amortization of equipment	4,444	5,790
	492,736	534,526
Excess of expenses over revenues for the year	(\$67,296)	(\$72,972)

Refer to the accompanying notes.

Spina Bifida and Hydrocephalus Association of Ontario

STATEMENT OF CASH FLOWS

Year ended February 28, 2014

Statement 4

	2014	2013
Cash provided by (used for):		
Operating activities		
Operating revenue sources	\$434,135	\$469,068
Interest received	4,407	4,867
Payments on account of expenses	(487,517)	(515,141)
	(48,975)	(41,206)
Endowment contributions received and reinvested investment income	217	150
Decrease (increase) in endowment investments and security deposit	3,826	(1,128)
Net decrease in cash for the year	(44,932)	(42,184)
Cash and short-term deposits, beginning of year	230,617	272,801
Cash and short-term deposits, end of year	\$185,685	\$230,617

Refer to the accompanying notes.

Spina Bifida and Hydrocephalus Association of Ontario

SCHEDULE OF EXPENSE COMPONENTS

Year ended February 28, 2014

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:

	2014				2013			
	Personnel remuneration	Occupancy costs	Direct program, postage and other	Total	Personnel remuneration	Occupancy costs	Direct program, postage and other	Total
Awareness and education	\$167,547	\$28,056	\$50,020	\$245,623	\$173,476	\$29,304	\$61,058	\$263,838
Care and support	\$54,922	28,043	22,128	\$105,093	\$80,306	22,696	23,252	\$126,254
Advocacy	\$19,458	3,233	9,238	\$31,929	\$16,293	3,253	8,715	\$28,261
Research	\$8,824	729	3,312	\$12,865	\$7,545	-	1,208	\$8,753
Financial resource development	\$44,590	2,557	6,163	\$53,310	\$51,466	3,044	6,417	\$60,927
General administration	\$8,122	2,452	22,898	\$33,472	\$9,229	2,764	22,610	\$34,603
	\$303,463	65,070	113,759	\$482,292	\$338,315	61,061	123,260	\$522,636

Refer to the accompanying notes.

Spina Bifida and Hydrocephalus Association of Ontario

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2014

Nature of Organization

Spina Bifida and Hydrocephalus Association of Ontario ("the Association") is a provincial organization whose primary objects are to carry out educational and public awareness programs about prevention and diagnosis, and to support individuals and their families. The Association is incorporated by letters patent under the Corporations Act of Ontario as a non-profit association without share capital. Any surplus earned by the corporation is to be used in promoting its objects. The Association is a registered charity under provisions of the Income Tax Act (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, 2014

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 and credit unions.

2 / Endowment Investments and Security Deposit

	2014	2013
Bank guaranteed investment certificates; interest at 1.2% maturing in the 2015 fiscal year	\$181,222	\$ -
Credit Union term deposit, bearing interest at 3.0% receivable annually, maturing September 7, 2014	35,550	35,550
Guaranteed investment certificates that matured during the year ended February 28, 2014	-	180,120
Savings accounts	308	236
Total endowment investments	217,080	215,906
Security deposit - hypothecated portion of a bank guaranteed investment certificate; interest at 1.2%, maturing in the 2015 fiscal year	10,000	15,000
	\$227,080	\$230,906

The amount of \$10,000 has been hypothecated from one guaranteed investment certificate of \$20,000 as security for a letter of guarantee provided by the Association's bank to satisfy regulatory requirements with respect to a fundraising raffle.

3 / Equipment

	2014		2013	
	Cost	Accumulated Amortization	Net	Net
Office furniture and equipment	\$13,106	\$8,826	\$4,280	\$6,487
Computers and peripherals	6,827	6,827	-	1,706
Computer software	3,523	3,185	338	869
	\$23,456	\$18,838	\$4,618	\$9,062

The Association is still in possession of certain equipment that is 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 28, 2014

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:

	2014	2013
Balance, beginning of year	\$9,088	\$3,115
Amounts recognized as income during the year	(5,000)	-
Amounts received and deferred during the year	10,650	5,973
Balance, end of year	\$14,738	\$9,088

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

	2014	2013
Break open lottery proceeds net of awarded prizes	\$294,047	\$321,299
Less: Retailer commissions and supplier fees	(90,518)	(101,155)
Provincial fees and licences	(55,908)	(62,358)
Ticket printing and other direct costs	(40,068)	(43,677)
	107,553	114,109
Bingo revenues net of awarded prizes	91,214	92,409
Proceeds from calendar lottery net of prizes paid and direct costs of \$18,504 (2013 - \$23,841)	20,956	24,323
	\$219,723	\$230,841

7 / Fundraising Event and Activity Revenues

	2014	2013
Golf tournaments, walks and third-party events	\$99,357	\$103,813
Less direct costs	(18,156)	(14,273)
	\$81,201	\$89,540

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Spina Bifida and Hydrocephalus Association of Ontario

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2014

8 / Investment Income

	2014	2013
Income earned on unrestricted resources	\$1,648	\$2,742
Income earned on resources held for scholarship endowments	3,708	3,272
Total investment income earned in the period	5,356	6,014
Less amount added to deferred contributions	(949)	(973)
Investment income recognized as revenue for the year	\$4,407	\$5,041

9 / Commitments

The Association has entered into a lease for its office premises and contracts for leasing and servicing office equipment. Minimum future payments under the leases are as follows: 2015 - \$40,900; 2016 - \$47,680; 2017 - \$48,100; all years thereafter - \$139,100. In addition to the above amounts, the tenant's share of property taxes, operating costs and utilities are payable monthly with respect to the premises, which were approximately \$2,500 per month for the 2014 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.

10 / Financial Instrument Risks

SBHAO'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.