

Hydrocephalus Canada

ANNUAL FINANCIAL STATEMENTS

February 28, 2021

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, 2021, 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, 2021 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.

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.

Cholkan + Stepczuk LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 16, 2021

Hydrocephalus Canada


STATEMENT OF FINANCIAL POSITION

February 28, 2021

Statement 1

	2021	2020
ASSETS		
Current		
Cash and cash equivalents	\$292,906	\$221,456
Accounts receivable	27,304	40,424
Deposits and prepaid expenses	15,349	18,123
	335,559	280,003
Endowment investments (note 2)	221,092	219,604
Equipment (note 3)	974	1,673
	\$557,625	\$501,280
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$20,517	\$13,456
Deferred contributions (note 4)	12,960	15,697
	33,477	29,153
NET ASSETS (note 5) (Statement 2)		
Net assets internally restricted for research	9,000	12,000
Net assets restricted for scholarship endowments	218,228	218,228
Unrestricted net assets	296,920	241,899
	524,148	472,127
	\$557,625	\$501,280

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, 2021

Statement 2

				2021	2020
Net assets	Restricted for research	Restricted for scholarship endowments	Unrestricted	Total	Total
Beginning of year	\$12,000	\$218,228	\$241,899	\$472,127	\$367,535
Revenues over expenses (expenses over revenues) (<i>Statement 3</i>)	(3,000)	-	55,021	52,021	104,592
Internally restricted, transfers	-	-	-	-	-
End of year	\$9,000	\$218,228	\$296,920	\$524,148	\$472,127

Refer to the accompanying notes.

Hydrocephalus Canada

STATEMENT OF OPERATIONS

Year ended February 28, 2021

Statement 3

	2021	2020
Revenues		
Fundraising		
Lottery and bingo (note 6)	\$148,045	\$208,683
Donations	95,087	83,261
Events and activities (note 7)	31,422	49,226
	274,554	341,170
Government subsidies (note 11)	30,634	-
Investment income (note 8)	4,359	4,946
Membership dues	3,080	2,430
	312,627	348,546
Expenses (Schedule 1)		
Programs and services		
Awareness and education	117,200	120,895
Care and support	76,305	63,429
Advocacy	11,853	12,677
Research	10,956	7,075
Scholarships	3,300	3,647
	219,614	207,723
General administration	28,895	26,776
Fund development	11,398	8,756
Amortization of equipment	699	699
	260,606	243,954
Excess of revenues over expenses for the year	\$52,021	\$104,592

Refer to the accompanying notes.

Hydrocephalus Canada

STATEMENT OF CASH FLOWS

Year ended February 28, 2021

Statement 4

	2021	2020
Cash provided by (used for):		
Operating activities		
Operating revenue sources	\$290,906	\$331,274
Government subsidies	23,473	-
Interest received	6,807	5,832
Payments on account of expenses	(248,248)	(235,387)
	72,938	101,719
Interest (allocated to) redeemed from endowment investments	(1,488)	2,930
Net increase in cash for the year	71,450	104,649
Cash and cash equivalents, beginning of year	221,456	116,807
Cash and cash equivalents, end of year	\$292,906	\$221,456

Refer to the accompanying notes.

Hydrocephalus Canada

SCHEDULE OF EXPENSE COMPONENTS

Year ended February 28, 2021

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:

	2021				2020			
	Personnel remuneration	Occupancy costs	Direct program, postage and other	Total	Personnel remuneration	Occupancy costs	Direct program, postage and other	Total
Awareness and education	\$60,901	\$19,109	\$37,190	\$117,200	\$60,231	\$20,167	\$40,497	\$120,895
Care and support	24,395	17,448	34,462	76,305	27,528	17,495	18,406	\$63,429
Advocacy	4,602	2,492	4,759	11,853	4,602	2,499	5,576	12,677
Research	6,748	402	3,806	10,956	5,794	403	878	7,075
Fund development	7,431	845	3,122	11,398	4,503	847	3,406	8,756
General administration	2,027	1,278	25,590	28,895	1,634	399	24,743	26,776
	\$106,104	\$41,574	\$108,929	\$256,607	\$104,292	\$41,810	\$93,506	\$239,608

Refer to the accompanying notes.

Hydrocephalus Canada

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2021

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, 2021

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

	2021	2020
Bank guaranteed investment certificates; interest at 0.45% (2020 - 2.25%) maturing 2022	\$182,826	\$181,293
Credit Union term deposit, bearing interest at 2% receivable annually, maturing 2024	38,022	38,022
Savings accounts	244	289
	\$221,092	\$219,604

3 / Equipment

	2021		2020	
	Cost	Accumulated Amortization	Net	Net
Office equipment	\$3,575	\$2,601	\$974	\$1,673

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:

	2021	2020
Balance, beginning of year	\$15,697	\$12,037
Restricted amounts deferred as at February 28, 2021	6,501	11,160
Restricted amounts recognized as income during the year	(9,238)	(7,500)
Balance, end of year	\$12,960	\$15,697

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Hydrocephalus Canada

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2021

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

	2021	2020
Break open lottery proceeds net of awarded prizes	\$227,226	\$251,587
Less: Retailer commissions and supplier fees	(70,579)	(75,953)
Provincial fees and licences	(13,836)	(28,518)
Ticket printing and other direct costs	(32,495)	(34,614)
	110,316	112,502
Bingo revenues net of awarded prizes	37,150	94,113
Proceeds from 50/50 raffle net of prizes paid	579	-
Proceeds from calendar lottery net of prizes paid	-	250
Recovery (allowance) of uncollectible amounts	-	1,818
	\$148,045	\$208,683

7 / Fundraising Event and Activity Revenues

	2021	2020
Golf tournaments, walks and third-party events	\$32,149	\$62,345
Less direct costs	(727)	(13,119)
	\$31,422	\$49,226

8 / Investment Income

	2021	2020
Income earned on unrestricted resources	\$1,485	\$1,322
Income earned on resources held for scholarship endowments	4,337	5,584
Total investment income earned in the period	5,822	6,906
Less amount added to deferred contributions	(1,463)	(1,960)
Investment income recognized as revenue for the year	\$4,359	\$4,946

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Hydrocephalus Canada

NOTES TO THE FINANCIAL STATEMENTS

February 28, 2021

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:

2022	\$18,949
2023	12,808
	<u>\$31,757</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, 2021 was \$2,204 monthly. Also, the organization has made a specific commitment to provide awards of \$3,000 annually until 2024.

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.

11 / COVID-19 Pandemic, Government Relief and Future Uncertainties

The global COVID-19 pandemic that started in early 2020 has caused unprecedented disruption and uncertainty in economic and social activity. Government health restrictions limiting the number of people at gatherings have limited the ability of the organization to fundraise at charity bingo and other fundraising events where people may gather.

Management is of the opinion that: 1) the pandemic has caused no material impairment of the organization's assets nor has it impacted on the measurement of its liabilities, 2) the organization can carry on operations during the course of the pandemic, with appropriate changes, since it has sufficient resources to fulfill its financial obligations for the foreseeable future, and 3) it is not possible to estimate the duration, possible recurrences, or future severity of the effects of COVID-19 at this time, nor its impact on the financial position and results of operations for future periods.

Government financial assistance has been made available to organizations as a temporary support measure. In the year, the organization applied for \$24,665 under the Canada Emergency Wage Subsidy program, \$1,375 under the Temporary Wage Subsidy program, and \$4,594 under the Canada Emergency Rent Subsidy program. A portion of these subsidies was receivable at year-end.