

Epilepsy Ontario
Financial Statements
For the year ended December 31, 2015

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Independent Auditor's Report

To the Members and Directors of Epilepsy Ontario

We have audited the accompanying financial statements of Epilepsy Ontario, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, changes in net assets and 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.

Auditor's 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 qualified audit opinion.



Basis for Qualified Opinion

In common with many charitable organizations, Epilepsy Ontario derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Epilepsy Ontario and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended December 31, 2015 and 2014 and current assets as at December 31, 2015 and 2014 and unrestricted net assets as at January 1 and December 31 for both the 2015 and 2014 years. Our audit opinion on the financial statements for the year ended December 31, 2014 was modified accordingly because of the possible effects of this limitation in scope.

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 Epilepsy Ontario as at December 31, 2015, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Oshawa, Ontario
May 16, 2016

**Epilepsy Ontario
Statement of Financial Position**

December 31	2015	2014
Assets		
Current assets		
Cash (Note 2)	\$ 253,043	\$ 311,714
Investments (Note 3)	399,255	399,160
Sundry receivables	58,105	45,844
Prepaid expenses	15,839	20,780
	\$ 726,242	\$ 777,498

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 83,265	\$ 77,788
Deferred revenue (Note 5)	58,799	66,416
	142,064	144,204
Net assets		
Donor designated fund		
The William Donald Willis Epilepsy Research Fund	400,000	400,000
Internally restricted fund		
Contingency Reserve Fund	100,000	100,000
Unrestricted net assets	84,178	133,294
	584,178	633,294
	\$ 726,242	\$ 777,498

On behalf of the Board:

_____ Director

_____ Director

**Epilepsy Ontario
Statement of Changes in Net Assets**

For the year ended December 31	The William Donald Willis Epilepsy Research Fund	Contingency Research Fund	Unrestricted	2015	2014
Balance, beginning of year	\$ 400,000	\$ 100,000	\$ 133,294	\$ 633,294	\$ 637,601
Deficiency of revenue over expenses	-	-	(49,116)	(49,116)	(4,307)
Balance, end of year	\$ 400,000	\$ 100,000	\$ 84,178	\$ 584,178	\$ 633,294

The accompanying notes are an integral part of these financial statements.

Epilepsy Ontario Statement of Operations

For the year ended December 31	2015	2014
Revenue		
Program revenue	\$ 5,358	\$ 9,080
Government grants	12,161	12,230
Ontario Trillium Foundation Grant (Note 5)	88,172	71,167
Interest and miscellaneous	1,673	13,618
	107,364	106,095
Fundraising revenue (Schedule)	562,953	569,505
	670,317	675,600
Expenses		
Programs, education, advocacy, other	191,173	147,200
Ontario Trillium Foundation Grant (Note 5)	88,172	71,167
Occupancy	36,827	28,429
Administrative salaries and benefits	34,531	41,851
Professional fees	22,313	22,130
Telephone	6,999	7,244
Office equipment	3,392	7,155
Meetings and travel	3,233	3,579
Insurance	2,584	2,562
Bank charges	2,133	3,189
Office supplies	1,613	4,794
	392,970	339,300
Fundraising expenses (Schedule)	326,463	340,607
	719,433	679,907
Deficiency of revenue over expenses	\$ (49,116)	\$ (4,307)

**Epilepsy Ontario
Statement of Cash Flows**

For the year ended December 31	2015	2014
Cash flows from operating activities		
Deficiency of revenue over expenses	\$ (49,116)	\$ (4,307)
Changes in non-cash working capital balances		
Sundry receivables	(12,261)	17,322
Prepaid expenses	4,941	350
Accounts payable and accrued liabilities	5,477	3,359
Deferred revenue	(7,617)	31,132
	<u>(58,576)</u>	47,856
Investing activity		
Increase in investments	<u>(95)</u>	<u>(11,391)</u>
Net change in cash	(58,671)	36,465
Cash, beginning of year	<u>311,714</u>	<u>275,249</u>
Cash, end of year	<u>\$ 253,043</u>	<u>\$ 311,714</u>

The accompanying notes are an integral part of these financial statements.

Epilepsy Ontario

Notes to Financial Statements

December 31, 2015

1. Significant Accounting Policies

Nature and Purpose of Organization

Epilepsy Ontario ("the Organization") is a registered charitable non-governmental health organization dedicated to promoting independence and optimal quality of life for those living with seizure disorders, by promoting information, awareness, support services, advocacy, education and research.

Through a network of local agencies, contacts and associates, Epilepsy Ontario provides client services, counselling and referral services. Epilepsy Ontario is the voice of epilepsy in the province.

The Organization is a registered charity, and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Financial Statements

These financial statements present the financial position and results of operations of Epilepsy Ontario. They do not include any assets, liabilities, revenues or expenses of any individual Chapters or the national and other provincial organizations, which are separately incorporated and operated.

The Organization follows the deferral method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities are reported in the Unrestricted Fund.

The William Donald Willis Epilepsy Research Fund is a donor designated fund to be used to fund research for finding a cure for epilepsy.

The Contingency Reserve Fund is a Board designated reserve fund to provide for extraordinary expenses that exceed or fall outside of the provisions of Epilepsy Ontario's operating budget and to fund the Organization's obligations in extreme circumstances including the wind-up costs of the Organization, if necessary, as determined and approved by the Executive Committee. Any excess funds are to be used for epilepsy research in Ontario.

Epilepsy Ontario Notes to Financial Statements

December 31, 2015

1. Significant Accounting Policies (continued)

Revenue Recognition

Operating grants are recorded in revenue in the year in which the related expenses are incurred. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Fundraising revenues are recorded in the period in which the event takes place.

Donations are recorded when received. Donated goods and services are not recorded in the accounts, except when they are used in the normal course of business and when a fair value for such goods and services can be readily determined.

Bequests are recorded when notification has been received, the amount can be reasonably estimated and ultimate collection is reasonably assured.

Program revenue is recognized when the services are provided to clients.

Interest and miscellaneous income is recorded as earned.

Contributed Services

Volunteers contribute a significant amount of time each year to assist the Organization in carrying out its service delivery activities. The Organization also receives services for online advertising. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Allocation of Expenses

The Organization promotes independence and optimal quality of life of children and adults living with seizure disorders and engages in education, programs, research, fundraising and other activities. The cost of programs and education include direct salaries and benefits and other expenses that are directly related to providing the programs.

Epilepsy Ontario Notes to Financial Statements

December 31, 2015

1. Significant Accounting Policies (continued)

Use of Estimates	The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.
Financial Instruments	The Organization's financial instruments consisting of cash, investments, sundry receivables and accounts payable and accrued liabilities are recorded at fair value when acquired or issued. In subsequent periods equities traded in an active market are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable.

2. Cash

Cash includes restricted cash in the amount of \$186,548 as at December 31, 2015 (2014 - \$221,058) to be used in accordance with the license agreement with Alcohol and Gaming Commission of Ontario.

3. Investments

	<u>2015</u>	<u>2014</u>
Money market mutual funds	\$ 152,697	\$ 82,918
Guaranteed investment certificates	70,044	136,957
Fixed income mutual funds	152,468	133,686
Equity mutual funds	24,046	45,599
	<u>\$ 399,255</u>	<u>\$ 399,160</u>

The guaranteed investment certificate has an effective interest rate of 2.10% and matures in February 2016.

4. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$671 (2014 - \$223).

Epilepsy Ontario Notes to Financial Statements

December 31, 2015

5. Deferred Revenue

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 66,416	\$ 35,284
Amounts received during the year	99,700	143,100
Amounts recognized as revenue in the year	<u>(107,317)</u>	<u>(111,968)</u>
Balance, end of year	<u>\$ 58,799</u>	<u>\$ 66,416</u>

In August 2013, the Organization was granted \$280,800 funding by the Ontario Trillium Foundation for a three year project. The project will identify best practices, develop consistent messaging, and provide training to agency staff across Ontario. As of December 31, 2015 \$233,600 of the funding was received, \$174,801 was spent and \$58,799 is included in deferred revenue.

6. Allocation of Expenses

The programs and education expenses reported in the Statement of Operations include allocation of salaries and benefits of \$149,905 (2014 - \$110,969).

7. Financial Instrument Risk

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk resulting from the possibility that a counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Organization's maximum exposure to credit risk represents the sum of the carrying value of its cash, short-term investments and accounts receivable.

The majority of the Organization's cash and short-term investments are maintained by two of the major financial institutions. The Organization reviews accounts receivable on a regular basis and follows up on outstanding amounts, as a result management believes the risk of loss on these items to be remote.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Organization is exposed to market risk primarily through its short-term investments. To minimize market risks, the Organization has an investment policy requiring diversification of investments. The policy's application is monitored by the Organization.

Epilepsy Ontario Notes to Financial Statements

December 31, 2015

7. Financial Instrument Risk (continued)

Changes in risk

There have been no changes in the Organization's risk exposures or policies, procedures and methods used to measure the above risks, from the prior year.

8. Commitments

The Organization is committed to pay minimum annual payments for premises under an operating lease expiring in July 2017, as follows:

	<u>Amount</u>
2016	\$ 18,129
2017	<u>10,575</u>
	<u>\$ 28,704</u>

In addition, the Organization is committed to pay its proportionate share of taxes, utilities and operating costs of the premises which, in 2015, amounted to approximately \$21,000 (2014 - \$44,000).

9. Guarantees and Indemnities

The Organization has indemnified its past, present and future directors, officers and volunteers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding, subject to certain restrictions, in which they are sued as a result of their involvement with the Organization, if they acted honestly and in good faith with the best interest of the Organization. The Organization has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits and actions, but there is no guarantee that the coverage will be sufficient should any action arise.

In the normal course of business, the Organization has entered into agreements that include indemnities in favour of third parties, either express or implied, such as in service contracts, lease agreements or sales and purchase contracts. In these agreements, the Organization agrees to indemnify the counterparties in certain circumstances against losses or liabilities arising from the acts or omissions of the Organization. The terms of these indemnities are not explicitly defined and the maximum amount of any potential liability cannot be reasonably estimated.

Epilepsy Ontario Schedule of Direct Fundraising Activities

For the year ended December 31	2015	2014
Gaming		
Revenue		
Provincial Nevada	\$ 342,001	\$ 314,633
Bingo and other	78,059	75,276
	<u>420,060</u>	<u>389,909</u>
Expenses		
Operations	239,730	241,366
Donations to Chapters	30,891	25,905
	<u>270,621</u>	<u>267,271</u>
Net revenue for the year	\$ 149,439	\$ 122,638
Special Events and Other Fundraising		
Revenue	\$ 142,893	\$ 179,596
Expenses	55,842	73,336
	<u>87,051</u>	<u>106,260</u>
Net revenue for the year	\$ 87,051	\$ 106,260
Total		
Fundraising revenues	\$ 562,953	\$ 569,505
Fundraising expenses	326,463	340,607
	<u>236,490</u>	<u>228,898</u>
Net revenue for the year	\$ 236,490	\$ 228,898