

Epilepsy Ontario
Financial Statements
For the year ended December 31, 2017

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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, 2017, 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, 2017 and 2016, current assets as at December 31, 2017 and 2016 and unrestricted net assets as at January 1 and December 31 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended December 31, 2016 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, 2017, 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 14, 2018

Epilepsy Ontario
Statement of Financial Position

December 31 **2017** **2016**

Assets

Current assets

Cash (Note 2)	\$	385,250	\$	455,976
Sundry receivables		21,534		71,972
Prepaid expenses		<u>23,953</u>		<u>28,353</u>

\$ 430,737 \$ 556,301

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued liabilities (Note 3)	\$	61,305	\$	67,250
Deferred revenue (Note 4)		<u>29,360</u>		<u>62,518</u>

90,665 129,768

Net assets

Donor designated fund				
The William Donald Willis Epilepsy Research Fund		126,000		245,000
Internally restricted fund				
Contingency Reserve Fund		100,000		100,000
Unrestricted net assets		<u>114,072</u>		<u>81,533</u>

340,072 426,533

\$ 430,737 \$ 556,301

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	2017	2016
Balance, beginning of year	\$ 245,000	\$ 100,000	\$ 81,533	\$ 426,533	\$ 584,178
Deficiency of revenue over expenses	-	-	(86,461)	(86,461)	(157,645)
Interfund transfer (Note 5)	(119,000)	-	119,000	-	-
Balance, end of year	\$ 126,000	\$ 100,000	\$ 114,072	\$ 340,072	\$ 426,533

Epilepsy Ontario Statement of Operations

For the year ended December 31	2017	2016
Revenue		
Program revenue	\$ 5,687	\$ 5,050
Government grants	4,958	9,096
Ontario Trillium Foundation Grant (Note 4)	28,158	48,481
Interest and miscellaneous	24,341	19,003
	<u>63,144</u>	<u>81,630</u>
Fundraising revenue (Schedule)	627,703	613,155
	<u>690,847</u>	<u>694,785</u>
Expenses		
Programs, education, advocacy, other	350,418	377,077
Ontario Trillium Foundation Grant (Note 4)	28,158	48,481
Occupancy	26,399	29,974
Administrative salaries and benefits	25,470	30,303
Professional fees	23,240	22,229
Telephone	9,325	8,322
Meetings and travel	9,047	5,514
Office equipment	4,132	3,381
Insurance	2,956	2,421
Bank charges	2,802	2,447
Office supplies	2,105	2,865
	<u>484,052</u>	<u>533,014</u>
Fundraising expenses (Schedule)	293,256	319,416
	<u>777,308</u>	<u>852,430</u>
Deficiency of revenue over expenses	\$ (86,461)	\$ (157,645)

Epilepsy Ontario Statement of Cash Flows

For the year ended December 31	2017	2016
Cash flows from operating activities		
Deficiency of revenue over expenses	\$ (86,461)	\$ (157,645)
Changes in non-cash working capital balances		
Sundry receivables	50,438	(13,867)
Prepaid expenses	4,400	(12,514)
Accounts payable and accrued liabilities	(5,945)	(16,015)
Deferred revenue	(33,158)	3,719
	(70,726)	(196,322)
Investing activity		
Increase in investments	-	399,255
	-	399,255
Net change in cash	(70,726)	202,933
Cash, beginning of year	455,976	253,043
Cash, end of year	\$ 385,250	\$ 455,976

Epilepsy Ontario

Notes to Financial Statements

December 31, 2017

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, 2017

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, 2017

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

Financial Instruments are recorded at fair value at initial recognition.

In subsequent periods, all financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

2. Cash

Cash includes restricted cash in the amount of \$72,385 as at December 31, 2017 (2016 - \$64,879) to be used in accordance with the license agreement with Alcohol and Gaming Commission of Ontario.

3. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$5,733 (2016 - \$313).

Epilepsy Ontario Notes to Financial Statements

December 31, 2017

4. Deferred Revenue

	2017	2016
Balance, beginning of year	\$ 62,518	\$ 58,799
Amounts received during the year	-	52,200
Amounts recognized as revenue in the year	(33,158)	(48,481)
 Balance, end of year	\$ 29,360	\$ 62,518

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, 2017 \$280,800 of the funding was received, \$251,440 was spent and \$29,360 is included in deferred revenue.

5. Interfund Transfer

During the year the Organization incurred expenses from The William Donald Willis Epilepsy Research Fund totaling \$119,000 (2016 - \$155,000).

6. Allocation of Expenses

The programs and education expenses reported in the Statement of Operations include allocation of salaries and benefits of \$178,238 (2016 - \$182,691).

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 and accounts receivable.

The majority of the Organization's cash is maintained by one 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.

Epilepsy Ontario Notes to Financial Statements

December 31, 2017

7. Financial Instrument Risk (continued)

Liquidity Risk

Liquidity risk is the risk that the company encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities. The Organization continues to focus on maintaining adequate liquidity to meet operating working capital requirements.

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 August 2018. Total payments for 2018 are expected to be \$7,500.

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	2017	2016
Gaming		
Revenue		
Provincial Nevada	\$ 331,237	\$ 347,175
Bingo and other	123,518	114,941
	454,755	462,116
Expenses		
Operations	212,403	260,062
Donations to Chapters	39,211	24,492
	251,614	284,554
Net revenue for the year	\$ 203,141	\$ 177,562
 Special Events and Other Fundraising		
Revenue		
	\$ 172,948	\$ 151,039
Expenses		
	41,642	34,862
Net revenue for the year	\$ 131,306	\$ 116,177
 Total		
Fundraising revenues		
	\$ 627,703	\$ 613,155
Fundraising expenses		
	293,256	319,416
Net revenue for the year	\$ 334,447	\$ 293,739