

BABY'S BREATH / SOUFFLE DE BÉBÉ
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Baby's Breath / Souffle de bébé

We have audited the accompanying financial statements of Baby's Breath / Souffle de bébé, which comprise the statement of financial position as at December 31, 2017 and the statements of revenues and expenses, 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.

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Independent Auditor's Report to the Members of Baby's Breath / Souffle de bébé (continued)

Basis for Qualified Opinion

In common with many not-for-profit organizations, Baby's Breath / Souffle de bébé derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Baby's Breath / Souffle de bébé. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2017 and 2016, current assets and net assets as at December 31, 2017 and 2016.

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 Baby's Breath / Souffle de bébé as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

St. Catharines, Ontario
April 18, 2018

**CHARTERED PROFESSIONAL ACCOUNTANTS
PROFESSIONAL CORPORATION**
Authorized to practise public accounting by
the Chartered Professional Accountants of
Ontario

BABY'S BREATH / SOUFFLE DE BÉBÉ
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 81,548	\$ 149,966
Term deposits	205,140	129,230
Harmonized sales tax recoverable	2,945	1,880
Prepaid expenses	1,751	1,443
	\$ 291,384	\$ 282,519
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 4,036	\$ 3,120
Government remittances payable	1,016	1,023
	5,052	4,143
NET ASSETS		
UNRESTRICTED FUND	(435,652)	(443,608)
RESTRICTED FUND	721,984	721,984
	286,332	278,376
	\$ 291,384	\$ 282,519

Approved on behalf of the Board

_____ *Director*

BABY'S BREATH / SOUFFLE DE BÉBÉ
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2017

	Unrestricted Fund	Restricted Fund	2017	2016
NET ASSETS - beginning of year	\$ (443,608)	\$ 721,984	\$ 278,376	\$ 299,212
Excess of revenues over expenses	7,956	-	7,956	(20,836)
NET ASSETS - end of year	\$ (435,652)	\$ 721,984	\$ 286,332	\$ 278,376

BABY'S BREATH / SOUFFLE DE BÉBÉ
STATEMENT OF REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2017

	2017	2016
REVENUES		
Donations	\$ 83,804	\$ 32,757
Third party fundraisers	16,455	43,192
Investment income	1,445	1,416
Grants and sponsorships	-	3,002
	101,704	80,367
EXPENSES		
Administration (<i>Note 6</i>)	39,123	44,042
Bereavement support	22,502	23,210
Advocacy	11,273	12,830
Education	11,164	11,556
Fundraising	9,686	9,565
	93,748	101,203
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 7,956	\$ (20,836)

BABY'S BREATH / SOUFFLE DE BÉBÉ
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 7,956	\$ (20,836)
Changes in non-cash working capital:		
Harmonized sales tax recoverable	(1,065)	(858)
Prepaid expenses	(308)	6
Accounts payable and accrued liabilities	916	(7,020)
Government remittances payable	(7)	48
	(464)	(7,824)
	7,492	(28,660)
INVESTING ACTIVITY		
Term deposits	(75,910)	(1,416)
DECREASE IN CASH FLOW	(68,418)	(30,076)
CASH - beginning of year	149,966	180,042
CASH - end of year	\$ 81,548	\$ 149,966

BABY'S BREATH / SOUFFLE DE BÉBÉ
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

1. NATURE OF OPERATIONS

Baby's Breath / Souffle de bébé (the "organization") is a nationally based organization of volunteers whose purpose is to provide information and emotional support; to carry out programs of public education; and to promote and support research activities relating to sudden and unexpected infant deaths. The organization was incorporated under the Canada Corporations Act and is registered as a not-for-profit organization with charitable status under the Income Tax Act, Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). These financial statements reflect only the operations of the head office, and do not include the operations of the Organization's other chapters across Canada.

Income taxes

The organization is exempt from income taxes under Section 149(1)(f) of the Income Tax Act.

Cash and cash equivalents

Cash is defined as cash in operating and savings bank accounts net of outstanding cheques and deposits.

Capital assets

Capital assets are recorded as expenses in the year they are acquired.

Revenue recognition and fund accounting

Baby's Breath / Souffle de bébé follows the restricted fund method of accounting for contributions.

Donations and funding for research, scholarships, and lectureships are recognized as revenue of the Restricted Fund. In prior years, the organization received significant donations towards these activities. The organization has not yet used these funds towards research, scholarships, and lectureships; but have instead covered other general program fund shortfalls. No revenue or expense was recorded in the restricted fund in the fiscal year ending December 31, 2017.

Unrestricted general operating and program contributions are recognized as revenue of the Unrestricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Investment income is recognized on the accrual basis in the unrestricted fund.

Donated materials and services

The organization does not record the value of donated materials and services as the amounts are not readily determinable.

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BABY'S BREATH / SOUFFLE DE BÉBÉ
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Allocation of salaries and wages

The organization engages in programs relating to bereavement support, education, advocacy, fundraising and administrative activities. The costs of each program include general support salaries and wages expense. The organization allocates these salaries and wages based on time spent. The total allocation is disclosed in note 7.

3. BANK INDEBTEDNESS

The organization has an operating line of credit to a maximum of \$5,000 with TD Canada Trust which bears interest at the bank's prime plus rate, payable monthly. As at December 31, 2017 there was no outstanding balance.

4. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2017.

Liquidity and operations risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization's exposure to liquidity risk is dependent on the receipt of funds from its donors and third party fundraisers. The organization expects that continued operational cash flow in fiscal 2018 together with the availability of its term deposits minimize exposure to this risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its bank operating line of credit.

BABY'S BREATH / SOUFFLE DE BÉBÉ
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

5. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to the current year's presentation.

6. SCHEDULE OF ADMINISTRATION EXPENSES

	<u>2017</u>	<u>2016</u>
Salaries and wages	\$ 22,329	\$ 23,112
Professional fees	5,157	4,055
Insurance	4,434	4,400
Occupancy costs	4,393	5,491
Telephone and internet	1,457	2,530
Office and general	1,257	4,447
Bank charges	97	5
	<u>\$ 39,124</u>	<u>\$ 44,040</u>

7. ALLOCATION OF SALARIES AND WAGES

General support salaries and wages reported in the statement of operations have been allocated as follows:

<u>Program function</u>	<u>Allocated expense</u>	<u>2017</u>	<u>2016</u>
Administration - 30%	\$ 22,329	\$ 22,329	\$ 23,112
Bereavement support - 30%	22,329	22,329	23,112
Education - 15%	11,164	11,164	11,556
Advocacy - 15%	11,164	11,164	11,556
Fundraising - 10%	7,443	7,443	7,704
	<u>74,429</u>	<u>74,429</u>	<u>77,040</u>
Total salaries and wages	<u>\$ 74,429</u>	<u>\$ 74,429</u>	<u>\$ 77,040</u>