

Consolidated financial statements of

March of Dimes Canada

March 31, 2017

March of Dimes Canada

March 31, 2017

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Independent Auditor's Report

To the Board of Directors of
March of Dimes Canada

We have audited the accompanying consolidated financial statements of March of Dimes Canada ("MODC"), which comprise the consolidated statement of financial position as at March 31, 2017, the consolidated statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, MODC derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of MODC and we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenue over expenses and cash flows from operations for the years ended March 31, 2017 and 2016, current assets as at March 31, 2017 and 2016, and fund balances as at April 1, 2016 and 2015 and March 31, 2017 and 2016. Our audit opinion for the year ended March 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of MODC as at March 31, 2017, and the consolidated results of its operations and its consolidated cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
July 26, 2017

March of Dimes Canada

Consolidated statement of financial position as at March 31, 2017

	2017	2016
	\$	\$
Assets		
Current assets		
Cash and restricted cash (Note 3)	11,702,882	12,776,902
Short-term investments (Note 4)	4,064,928	4,022,477
Accounts receivable (Note 5)	5,993,594	3,412,124
Amount due from March of Dimes Canada Non-Profit Housing Corporation ("NPHC") (Note 6(a))	305,813	-
Prepaid expenses	456,262	793,945
Grants and allocations receivable	112,905	57,999
	22,636,384	21,063,447
Restricted investments (Note 8)	5,111,055	2,273,046
Capital assets (Note 9)	5,417,289	4,954,879
Intangible asset - trademark (Note 2(d))	1,413,751	1,413,751
	34,578,479	29,705,123
Liabilities		
Current liabilities		
Accounts payable and accrued charges (Note 10)	8,062,652	8,340,081
Amount due to NPHC (Note 6(a))	-	240,171
Unexpended program grants and deferred revenue (Note 11)	1,648,265	1,331,189
Government advances	3,712,635	2,309,623
	13,423,552	12,221,064
Deferred capital grants (Note 12)	1,737,156	1,547,274
	15,160,708	13,768,338
Commitments and contingencies (Note 17)		
Fund balances		
Invested in capital and intangible assets	5,093,884	4,821,356
Internally restricted funds:		
Capital Reserve (Note 13(a))	1,466,667	1,237,795
Stabilization Reserve (Note 13(b))	6,880,271	5,966,057
Major IT Capital Reserve (Note 13(c))	1,250,000	1,000,000
Minor Capital Reserve (Note 13(d))	825,000	250,000
Ability and Beyond (Note 13(e))	3,901,949	2,661,577
	19,417,771	15,936,785
	34,578,479	29,705,123

On behalf of the Board


 _____ Director


 _____ Director

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

March of Dimes Canada

Consolidated statement of revenue and expenses year ended March 31, 2017

	2017	2016
	\$	\$
Revenue		
Government grants	79,325,369	75,594,744
Fees	21,267,144	16,230,582
Program recovery	15,523,012	14,500,434
Fundraising (Note 14)	6,737,285	5,914,518
Investment and other	1,403,275	558,337
	124,256,085	112,798,615
Expenses		
Programs		
Independent Living Services	66,322,118	60,129,607
Employment Services	17,462,480	15,340,175
AccessAbility® Services	12,134,926	11,992,223
Passport Services	15,964,517	15,252,726
Community Engagement and Integration Services	4,346,357	3,829,649
Information Advocacy Services, Grants and Awards	500,527	932,758
	116,730,925	107,477,138
Fundraising	2,065,933	2,169,250
Donor acquisition	567,503	627,475
Administration	7,695,940	6,808,497
Administration recovery (Note 19)	(6,705,491)	(6,406,527)
Amortization (Note 9)	420,289	508,689
	120,775,099	111,184,522
Excess of revenue over expenses	3,480,986	1,614,093

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

March of Dimes Canada

Consolidated statement of changes in fund balances
year ended March 31, 2017

	2017		2016			
	Operating Fund	Invested in capital and intangible assets	Internally restricted funds			
	\$	\$	Major IT Capital Reserve	Minor IT Capital Reserve		
			Stabilization Reserve	Ability and Beyond		
			\$	\$		
			Total	Total		
			\$	\$		
Fund balances, beginning of year	-	4,821,356	1,000,000	250,000	15,936,785	14,322,692
Excess (deficiency) of revenue over expenses	3,789,338	(308,352)	-	-	2,661,577	3,480,986
Interfund transfers:						
Purchase of capital assets (Note 9)	-	882,699	(171,128)	(711,571)	-	-
Deferred capital grants (Note 12)	-	(301,819)	-	301,819	-	-
Transfer to Capital Reserve (Note 13(a))	(400,000)	-	400,000	-	-	-
Transfer to Stabilization Reserve (Note 13(b))	(1,323,966)	-	-	1,323,966	-	-
Transfer to Major IT Capital Reserve (Note 13(c))	(250,000)	-	250,000	-	-	-
Transfer to Minor Capital Reserve (Note 13(d))	(575,000)	-	-	575,000	-	-
Transfer to Ability and Beyond (Note 13(e))	(1,275,000)	-	-	-	1,275,000	-
Ability and Beyond excess of expenses over revenue (Notes 8 and 13(e))	34,628	-	-	-	(34,628)	-
Fund balances, end of year	-	5,093,884	1,466,667	825,000	3,901,949	15,936,785
			6,880,271	1,250,000	19,417,771	15,936,785

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

March of Dimes Canada

Consolidated statement of cash flows

year ended March 31, 2017

	2017	2016
	\$	\$
Operating activities		
Excess of revenue over expenses	3,480,986	1,614,093
Items not involving cash		
Amortization	420,289	508,689
Amortization of deferred capital grants	(111,937)	(140,850)
Unrealized (gain) loss on restricted investments	(139,698)	171,493
Changes in non-cash operating working capital		
Accounts receivable	(2,581,470)	(329,419)
Amount due from NPHC	(305,813)	255,344
Prepaid expenses	337,683	20,432
Grants and allocations receivable	(54,906)	211,334
Accounts payable and accrued charges	(277,429)	744,650
Amount due to NPHC	(240,171)	240,171
Unexpended program grants and deferred revenue	317,076	(373,252)
Government advances	1,403,012	1,661,236
	2,247,622	4,583,921
Financing activity		
Receipt of deferred capital grants	301,819	457,983
Investing activities		
Restricted investments, net	(2,698,311)	(162,838)
Purchase of capital assets	(882,699)	(892,789)
	(3,581,010)	(1,055,627)
(Decrease) increase in cash and restricted cash and short-term investments	(1,031,569)	3,986,277
Cash and restricted cash and short-term investments, beginning of year	16,799,379	12,813,102
Cash and restricted cash and short-term investments, end of year	15,767,810	16,799,379
Represented by		
Unrestricted cash	11,525,748	12,583,181
Restricted cash (Note 3)	177,134	193,721
Short-term investments	4,064,928	4,022,477
	15,767,810	16,799,379

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

March of Dimes Canada

Notes to the consolidated financial statements

March 31, 2017

1. Purpose of the Organization

The Canadian Foundation for Poliomyelitics was incorporated in 1951 to eliminate polio. When reconstituted as an organization with members from across Canada, the original Board of Directors (the Board) from Ontario formed the Ontario Corporation, Rehabilitation Foundation for Poliomyelitics and the Orthopedically Disabled, which became known as Ontario March of Dimes (OMOD) and which was incorporated in 1957. The legal name of the corporation was subsequently changed to the Rehabilitation Foundation for the Disabled. As of May 2013, the non-profit corporation became incorporated Federally as March of Dimes Canada (MODC), OMOD no longer existed as a provincial entity, and the former subsidiary, March of Dimes Canada, was registered as March of Dimes Canada Foundation. All operations are currently carried out by MODC, and March of Dimes Canada Foundation remains inactive.

These consolidated financial statements include the assets, liabilities, revenues and expenses of MODC and March of Dimes Canada Foundation. Other controlled organizations are outlined in Note 6 and are not included in the consolidated financial statements.

MODC is a registered charitable organization and, as such, is exempt from income taxes.

MODC's programs include the following:

- (a) Independent Living Services - to enable adults with physical disabilities and/or acquired brain injury to live independently in their own homes through a variety of services, such as Outreach Attendant Services, Supportive Housing and Acquired Brain Injury Services. Northern Medical Clinics are also offered by this department.
- (b) Employment Services - to assist adults with physical disabilities to achieve independence through establishing employment plans, delivering training and on-the-job support. Programs offered include assessment services, Diskovery®, Canadian Veterans Vocational Rehabilitation Services and placement services.
- (c) AccessAbility® Services - to provide assistive technologies, modifications to enhance independence and mobility. Services include Home and Vehicle Modifications program, Assistive Devices Program and Barrier-Free Design Consultation.
- (d) Passport Services - to deliver grants provided by the Ministry of Community and Social Services to people with developmental disabilities for a variety of services. MODC has the contract for the Ottawa region.
- (e) Peer Support and Conductive Education© - to assist people who have experienced a stroke or post-polio syndrome to find psychosocial support and re-integrate into the community. MODC offers peer groups, educational information, skill building programs and various conferences and retreats, and through Conductive Education services MODC offers people who have had a stroke or other neuromuscular impairment an innovative intervention based on learning theory. The Conductive Education© program promotes physical literacy, as well as confidence and independence.
- (f) Community Engagement and Integration Services - to enhance the quality of life of adults with physical disabilities through recreation, leisure and social integration, an array of services are provided including BeFriending©, Life skills and Transition Services, ModMobility©, DesignAbility©, Recreation and Travel Services.
- (g) Alternate Communication Services – During the 2016 fiscal year, management determined the need to create a new program combining several services for people with speech impairments, users of augmentative alternative communication systems and devices.

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Notes to the consolidated financial statements

March 31, 2017

1. Purpose of the Organization (continued)

- (h) Other services
 - (i) Government Relations, Advocacy and Information Services - to address issues within government that affect the well-being and inclusion of people with disabilities and to provide access to information about disability services and rehabilitation.
 - (ii) Business Services - MODC has partnered with Quadrangle Architects to provide AODA consulting services under a joint venture called AccessAbility Advantage®. Other services include Mediation, Payroll, Training, eSSENTIAL Accessibility (delivering an accessible browser technology) and, from time to time, other administrative services.

2. Significant accounting policies

These consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(a) Revenue recognition

MODC follows the deferral method of accounting for contributions.

Government and other grants, fees and sales, program recovery and other revenue are recognized on the accrual basis and are deferred until earned. Government grants relating to capital assets are deferred in an amount equal to the unamortized cost of the related capital assets.

Unexpended program grants and government advances represent funds received for specific programs that have not yet been expensed.

Fundraising revenue includes revenue from direct mail, foundations, United Ways, community campaigns, special events, charitable gaming, bequests and other donations, and is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donation pledges are not recognized as revenue until received.

Investment income is recognized as earned.

(b) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. MODC has elected to carry investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indication of impairment, MODC determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset, and the amount MODC expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss is reversed to the extent of the improvement, not exceeding the initial carrying value.

March of Dimes Canada

Notes to the consolidated financial statements

March 31, 2017

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

Restricted investments consist of pooled funds which are valued at the unit values supplied by the pooled fund administrator, which represents MODC's proportionate share of underlying net assets at fair values determined using closing market prices. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the consolidated statement of revenue and expenses and is transferred to the Ability and Beyond Funds annually.

The carrying amounts of cash and restricted cash, short-term investments, accounts receivable, amount due from NPHC, grants and allocations receivable, accounts payable and accrued charges, amount due to NPHC and government advances approximate their fair values due to the short-term nature of these financial instruments.

Unless otherwise noted, it is management's opinion that MODC is not exposed to significant interest, currency, market or credit risk arising from financial instruments.

(c) Capital assets

Capital assets are recorded at cost less accumulated amortization. Land associated with the 10 Overlea Boulevard, Toronto property is recorded at deemed cost, being its fair value at April 1, 2011. All other land is recorded at cost. Amortization is recorded at the following bases and annual rates, which are expected to amortize the net cost of these assets over their estimated useful lives:

Asset	Basis	Rate
Buildings	Declining balance	5%
Vehicles	Straight line	5 years
Machinery, equipment, computer hardware and software	Straight line	3 to 7 years
Leasehold improvements	Straight line	Term of related lease

When a capital asset no longer contributes to MODC's ability to provide services, its carrying amount is written down to its residual value.

(d) Intangible asset

MODC acquired the trademark, March of Dimes, in 2005 at a cost of \$1,800,000. The productive life of the trademark was estimated to be 20 years, and \$386,249 was expensed between 2005 and 2009, leaving the asset with a book value of \$1,413,751. Management determined that the trademark has an indefinite life and, accordingly, ceased amortization.

Management reviews the carrying value of the indefinite life intangible asset for impairment, at least annually, whenever events and circumstances indicate that the carrying value of the asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If the undiscounted expected future cash flows are deemed less than the carrying value of the asset, an impairment loss would be recognized equal to the amount by which the carrying value of the asset exceeds the fair value of the asset.

(e) Donated services

Volunteers contribute a significant number of hours to assist MODC in carrying out its service delivery, administration, as well as Board and advisory activities. Because of the difficulty of determining their fair values, such contributed services are not recognized in the consolidated financial statements.

March of Dimes Canada

Notes to the consolidated financial statements

March 31, 2017

2. Significant accounting policies (continued)

(f) *Allocation of fundraising and general administration expenses*

MODC classifies expenses on the consolidated statement of revenue and expenses by program. MODC allocates certain costs by identifying the appropriate basis of allocating and applying that basis consistently each year. Administration expenses are allocated proportionately on the same percentage as the direct salaries and benefits of the program with consideration of recoverability from funders. Fundraising expense includes all direct costs, including staff, materials and occupancy costs.

(g) *Use of estimates*

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Balances which require some degree of estimation and assumptions are investments, allowance for doubtful accounts, intangible asset, accrued charges, unexpended program grants and deferred revenue, government advances, deferred capital grants, and amortization of capital assets.

3. Cash and restricted cash

Restricted cash of \$177,134 (2016 - \$193,721) relating to Bingo and Lottery fundraising campaigns is included in Cash and restricted cash.

4. Short-term investments

Short-term investments are comprised of guaranteed investment certificates with maturing dates between May 9, 2017 and September 18, 2017 (2016 - between May 11, 2016 and September 21, 2016) and bear interest between 0.95% and 1.00% (2016 – between 0.90% and 0.95%).

5. Accounts receivable

	2017	2016
	\$	\$
Trade	3,172,784	1,739,605
Program related	2,233,640	1,353,812
Fundraising and United Way	155,893	58,227
Harmonized Sales Tax	301,676	238,521
Other	154,469	94,767
Allowance for doubtful accounts	(24,868)	(72,808)
	<u>5,993,594</u>	<u>3,412,124</u>

6. Controlled organizations

MODC controls the following organizations that are not consolidated in these financial statements:

(a) *March of Dimes Canada Non-Profit Housing Corporation ("NPHC")*

NPHC was incorporated by MODC on June 2, 1992, and received continuance approval under the Canada Not-for-profit Corporations Act in May 2013. It had been provincially registered, and was formerly known as Ontario March of Dimes Non-Profit Housing Corporation.

NPHC was formed to provide accessible, affordable, supportive housing, primarily to accommodate persons with physical disabilities. NPHC is a non-profit charitable organization and, as such, is exempt from income taxes.

March of Dimes Canada

Notes to the consolidated financial statements

March 31, 2017

6. Controlled organizations (continued)

(a) March of Dimes Canada Non-Profit Housing Corporation (NPHC) (continued)

NPHC's financial statements are prepared in accordance with prescribed accounting policies which are applicable to Federal and Provincial non-profit housing programs as regulated by the guidelines established by the Regional Municipality of Halton, its major funder.

Transactions during the year with NPHC were as follows:

- (i) NPHC paid \$7,704 (2016 - \$7,704) to MODC for services provided in connection with certain properties of NPHC. This amount is not reflective of actual costs of administrative and professional services provided by MODC to NPHC.
- (ii) MODC rents a portion of NPHC premises and pays rent to NPHC. The total charges were \$31,209 for 2017 (2016 - \$30,355).
- (iii) NPHC contributed \$Nil (2016 - \$41,270) to MODC for the Sudbury capital campaign.

Amount due (to) from NPHC consists of the following:

	2017	2016
	\$	\$
During 2016, NPHC transferred excess operating cash of \$500,000 to MODC for the purpose of short-term investment, earning interest of \$943	-	(500,943)
In 2010, NPHC signed a promissory note with MODC for a loan in the amount of \$251,000 to acquire land and building in Sudbury, Ontario. The loan is repayable on demand and bears interest at prime plus 1%	176,202	186,262
Interest receivable on the promissory note	13,955	13,955
Amounts receivable for expenses paid on behalf of NPHC	115,656	60,555
Amount due from (to) MODC	305,813	(240,171)

The following is a summary of financial information extracted from the financial statements of NPHC, and is not included in the consolidated financial statements of MODC:

	2017	2016
	\$	\$
Current assets	1,218,002	1,245,455
Capital assets	7,603,120	7,982,487
	8,821,122	9,227,942
Current liabilities	722,326	767,371
Mortgage payable	4,495,347	4,769,033
Deferred capital contributions	2,754,764	2,778,985
	7,972,437	8,315,389
Fund balances	848,685	912,553
	8,821,122	9,227,942

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Notes to the consolidated financial statements

March 31, 2017

6. Controlled organizations (continued)

(a) March of Dimes Canada Non-Profit Housing Corporation (NPHC) (continued)

	2017	2016
	\$	\$
Revenue	1,556,389	1,526,668
Expenses, including amortization of \$385,803 (2015 - \$397,075)	1,540,552	1,893,764
Excess (deficiency) of revenue over expenses	15,837	(367,096)
Cash flows provided by (used in)		
Operating activities	291,260	238,776
Financing activities	(68,249)	(137,324)
Investing activities	(89,676)	15,108
Net cash inflow	133,335	116,560

(b) Rehabilitation Foundation for Disabled Persons Incorporated, U.S. (RFDP, U.S.)

RFDP, U.S. is incorporated in the United States as a registered charity whose objectives parallel those of MODC. The revenue and expenses are reported in the year end of that subsidiary. The activities of this entity are immaterial to MODC and are not included in these consolidated financial statements.

7. Interest in Joint Venture

MODC entered into a joint venture agreement on June 1, 2010 with Quadrangle Architects Limited to provide services to the public to assist with compliance with the provisions of the Accessibility for Ontarians with Disabilities Act, 2005. No amount was contributed to the joint venture by MODC at the time of the agreement.

MODC accounts for its interest in the joint venture using the equity method, whereby its share of net income or loss of the joint venture is included in the Consolidated statement of revenue and expenses when earned and/or expensed. The amount received during 2017 was \$269,566 (2016 - \$27,982) which is included in Fees revenue.

8. Restricted investments

	2017		2016	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Cash and cash equivalents	164,762	164,762	-	-
Pooled funds	4,446,423	4,946,293	1,817,659	2,273,046
	4,611,185	5,111,055	1,817,659	2,273,046

The unrealized gain on restricted investments is \$139,698 (Ability and Beyond Fund - \$217,670 gain and Infrastructure Fund - \$77,972 loss) for the year ended March 31, 2017 (2016 - Ability and Beyond Fund - \$171,493 gain and Infrastructure Fund - \$Nil) and is recorded in investment and other revenue in the Consolidated statement of revenue and expenses. The unrealized gain of the Ability and Beyond Fund is transferred from the Operating Fund to the Ability and Beyond Funds (Note 13(e)) each year, as these are the funds invested.

March of Dimes Canada

Notes to the consolidated financial statements

March 31, 2017

9. Capital assets

	2017	2016
	Net book value	Net book value
Cost	accumulated amortization	
\$	\$	\$
Land	1,901,383	1,901,383
Buildings	2,318,429	793,874
Vehicles	693,431	211,276
Machinery, equipment computer hardware and software	16,405,026	1,840,306
Leasehold improvements	3,299,686	208,040
	24,617,955	4,954,879

The total cost of capital assets acquired during the year was \$882,699 (2016 - \$892,789), and was partially financed by operating grants of \$301,818 (2016 - \$457,983).

Amortization expense related to donor dollar funded programs totaled \$339,615 (2016 - \$367,839), and the amortization expense relating to government grant funded programs totaled \$80,674 (2016 - \$140,850).

10. Accounts payable and accrued charges

Included in accounts payable and accrued charges are government remittances payable of \$731,996 (2016 - \$757,917) for payroll-related taxes, all of which are current.

11. Unexpended program grants and deferred revenue:

MODC receives funds from government and other funding sources whereby the use of these funds is restricted to certain projects or programs. Unexpended program grants, other than government grants, represent unexpended funds relating to projects in process as at the end of the fiscal year. These programs operate on a break-even basis with any excess of expenses over revenue being funded from donations or fee-based services or being carried forward against subsequent annual operating grants. Due to their restrictive nature, any excess funds from completed programs are either returned to their original source, or taken into general revenue after MODC received the appropriate approval.

MODC receives several designated gifts from donor estates, which are included in deferred revenue. These contributions are deferred until such time as they are spent as designated by the donor.

	2017	2016
	\$	\$
Balance, beginning of year	1,331,189	1,704,441
Amounts received	1,592,298	3,914,983
Amounts amortized to revenue	(1,275,222)	(4,288,235)
Balance, end of year	1,648,265	1,331,189

March of Dimes Canada

Notes to the consolidated financial statements

March 31, 2017

12. Deferred capital grants

Details of amounts received for capital asset purchases and amortization of the balances are as follows:

	2017	2016
	\$	\$
Balance, beginning of year	1,547,274	1,230,141
Amounts received	301,819	457,983
Amounts amortized to revenue	(111,937)	(140,850)
Balance, end of year	1,737,156	1,547,274

13. Internally restricted funds

(a) Capital Reserve Fund

In fiscal 2004, the Board established a separate Capital Reserve Fund to build a cash reserve for future major capital needs at 10 Overlea Boulevard, Toronto, such as roof replacement, etc. and allocates funds at the end of each year. From 2004, the accrual allocated was \$25,000. The Board reviews the year-end balance each year and has approved increases to the allocation. An allocation of \$400,000 for 2017 has been approved by the Board (2016 - \$150,000).

(b) Stabilization Reserve Fund

The Board established a Stabilization Reserve Fund to address both its short- and long-term needs. The purpose of the Stabilization Reserve is to build working capital and to provide MODC with the assurance that funds are available when needed due to unforeseen operating shortfalls, or for new initiatives and pilot projects. The Board amended the policy in 2014 from three months to an inclusive range of three to six months of operating expense, less the amount covered by government grant commitments. While the minimum target has been achieved, the Organization is striving to achieve the current maximum level of \$8,175,803. The Board allocates funds at the end of each fiscal year based on available surplus revenue.

(c) Major IT Capital Reserve

In 2015, the Board established a separate Major IT Capital Reserve to build a cash reserve for future major IT software and hardware upgrades and or replacements. An allocation of \$250,000 from the Operating Fund was approved by the Board for 2017 (2016 - \$600,000).

(d) Minor Capital Reserve

In 2016, the Board established this Fund to be used for equipment and furnishings capital expenditures and allocated \$575,000 (2016 - \$250,000) to this Fund from the Operating Fund. Previously, the Stabilization Reserve Fund was used to fund such expenditures.

(e) Ability and Beyond Funds

The Board has internally restricted these funds and refers to them cumulatively as the Ability and Beyond Funds. It was originally intended that only the revenue earned on the fund balances would be used to fund designated activities, but opportunities to enhance proposals have since led to Board approval for the principal to be expended.

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Notes to the consolidated financial statements

March 31, 2017

13. Internally restricted funds (continued)

(e) *Ability and Beyond Funds (continued)*

(i) Paul Martin Senior Biomedical and Rehabilitation Research Fund

Over 20 years ago, MODC established this fund to contribute to significant research that aims to alleviate, prevent or treat a disabling condition. Until 2014, only earned income was expended.

In 2015, MODC entered into a partnership with the University of Toronto and established the March of Dimes Paul J.J. Martin Early Career Professorship with a total commitment of \$1.5 million over six years (Note 17(b)). In December 2014, the first payment of \$500,000 was made. In 2016, a second payment of \$500,000 was made. During 2017, a third payment in the amount of \$100,000 was made and hence a commitment of \$400,000 is outstanding.

(ii) Dr. Ed and Bobbie Yielding Fund

In 2013, the Board added this Fund to the internally restricted Ability and Beyond Funds, in memory of Dr. Ed and Bobbie Yielding, when the former left a significant bequest and had expressed an interest in Stroke Recovery.

(iii) Sydney Cope Recreation Fund

In 1996, the Board established this Fund to support recreation programs and in 2014 a 20 passenger bus was purchased for recreational programs and out trips. This bus is part of the fleet for MODMobility®. In 2017, the Board approved an allocation of \$25,000 to this Fund from the Operating Fund (2016 - \$Nil).

(iv) Program Development and Evaluation Reserve Fund

This Fund has been established to engage expertise to conduct methodologically and ethically sound evaluations on program results, as well as customer needs and satisfaction surveys with a focus on developing national initiatives that can become self-sustaining. In 2017, the Board approved an allocation of \$300,000 (2016 - \$300,000) to this fund.

(v) National Stroke Recovery Strategy Fund

In 2017, the Board established this fund to encompass a national awareness campaign offering information and support to stroke survivors across the country and assist groups and partner organizations to work with MODC in developing community-based recovery and support services. In 2017, the Board approved an allocation of \$250,000 (2016 - \$Nil) from the Operating Fund.

(vi) John Haas Fund for Assistive Technology Fund

In 2015, the Board established the Fund to provide assistive technology for persons with severe disabilities outside Ontario.

(vii) Housing Development Fund

In 2001, the Board established this Fund to conduct feasibility studies and all necessary professional services that support expanding the availability of affordable, accessible supportive housing but not actual construction. In 2017, the Board approved an allocation of \$500,000 (2016 - \$200,000) to this Fund from the Operating Fund.

(viii) Assistive Device Hardware Fund

In 2017, the Board established this Fund to meet the increasing demands for service and to provide for an expansion of the program outside Ontario, and approved an allocation of \$200,000 to this Fund from the Operating Fund.

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Notes to the consolidated financial statements

March 31, 2017

13. Internally restricted funds (continued)

The Details of the Ability and Beyond Fund balance are as follows:

	2017	2016
	\$	\$
Balance, beginning of year	2,661,577	2,993,603
Investment income	118,474	162,838
Expenses, including grants and awards	(370,772)	(823,371)
Unrealized gain (loss) on restricted investments (Note 8)	217,670	(171,493)
Transfer to Sydney Cope Recreation Fund	25,000	-
Transfer to Housing Development Fund	500,000	200,000
Transfer to Program Development and Evaluation Reserve Fund	300,000	300,000
Transfer to National Stroke Recovery Strategy Fund	250,000	-
Transfer to Assistive Device Hardware Fund	200,000	-
Balance, end of year	3,901,949	2,661,577

14. Charitable gaming revenue and expenses

The Alcohol and Gaming Commission of Ontario requires disclosure of the following information on Nevada break-open ticket lotteries. Revenue from these lotteries is included in Fundraising revenue, and expenses are included in Fundraising expenses on the Consolidated statement of revenue and expenses, as follows:

	2017	2016
	\$	\$
Net proceeds	403,070	395,735
Administration costs:		
Location commission	76,863	74,933
Alcohol and Gaming Commission of Ontario fees	53,338	52,169
Tickets	51,907	50,964
Agent commission	47,228	45,880
License fees	23,905	23,437
	253,241	247,383
	149,829	148,352

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Notes to the consolidated financial statements

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15. Contracts with the Ministry of Community and Social Services (the "Ministry")

MODC has a variety of Service Contracts throughout Ontario with this Ministry. As required, a Transfer Payment Annual Reconciliation is provided to the Ministry for each of the Service Contracts listed below:

	Project code	Revenue	Expenses	Net	Cash funding	2017 Receivable (payable)
		\$	\$	\$	\$	\$
London						
Home and Vehicle						
Modification program	8618	1,382,400	1,382,400	-	1,382,400	-
Home and Vehicle						
Modification program	8621	9,245,700	9,245,700	-	9,245,700	-
Total HVMP		10,628,100	10,628,100	-	10,628,100	-
Ottawa						
Passport Initiative	8883	16,110,697	16,110,697	-	16,873,971	(763,274)
Thunder Bay						
Rehabilitation services	8868	208,000	208,000	-	208,000	-
Niagara						
PET program	8868	152,615	152,615	-	152,615	-
Kingston						
School aged contract	8868	24,634	24,634	-	24,634	-
Total Ministry Grants requiring TPAR		27,124,046	27,124,046	-	27,887,320	(763,274)
London						
Employment Supports Special Funding	8612	-	-	-	-	-
Niagara						
Employment Supports Special Funding	8612	-	-	-	-	-
Hamilton						
Employment Supports Special Funding	8612	-	-	-	-	-
West Central						
Employment Supports Special Funding	8612	-	-	-	-	-
Sudbury						
Employment Supports Special Funding	8612	95,851	95,851	-	95,851	-
North Bay						
Employment Supports Special Funding	8612	-	-	-	-	-
Thunder Bay						
Employment Supports Special Funding	8612	-	-	-	-	-
Hamilton Peer Mentoring project	8612	-	-	-	-	-
Total Employment Supports Special Funding		95,851	95,851	-	95,851	-
Total Ministry grants		27,219,897	27,219,897	-	27,983,171	(763,274)

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Notes to the consolidated financial statements

March 31, 2017

15. Contracts with the Ministry of Community and Social Services (the "Ministry") (continued)

	Project code	Revenue	Expenses	Net	Cash funding	2016 Receivable (payable)
		\$	\$	\$	\$	\$
London						
Home and Vehicle Modification program	8618	1,382,400	1,382,400	-	1,382,400	-
Home and Vehicle Modification program	8621	9,245,700	9,245,700	-	9,245,700	-
Total HVMP		10,628,100	10,628,100	-	10,628,100	-
Ottawa						
Passport Initiative	8883	15,394,973	15,394,973	-	14,631,700	763,273
Thunder Bay Rehabilitation services	8868	208,000	208,000	-	208,000	-
Niagara PET program	8868	152,615	152,615	-	152,615	-
Kingston School aged contract	8868	15,634	15,634	-	15,634	-
Total Ministry Grants requiring TPAR		26,399,322	26,399,322	-	25,636,049	763,273
London						
Employment Supports Special Funding	8612	2,670	2,670	-	3,500	(830)
Niagara						
Employment Supports Special Funding	8612	374	374	-	500	(126)
Hamilton						
Employment Supports Special Funding	8612	1,292	1,292	-	9,000	(7,708)
West Central						
Employment Supports Special Funding	8612	-	-	-	3,500	(3,500)
Sudbury						
Employment Supports Special Funding	8612	8,485	8,485	-	10,080	(1,595)
North Bay						
Employment Supports Special Funding	8612	8,447	8,447	-	8,416	31
Thunder Bay						
Employment Supports Special Funding	8612	7,656	7,656	-	14,532	(6,876)
Hamilton Peer Mentoring project	8612	32,651	32,651	-	35,595	(2,944)
Total Employment Supports Special Funding		61,575	61,575	-	85,123	(23,548)
Total Ministry grants		26,460,897	26,460,897	-	25,721,172	739,725

16. Credit facility

MODC entered into a credit agreement with its lenders for a line of credit of \$2,000,000 and a letter of credit facility of \$100,000, which is secured by term deposits or balances on accounts held with the bank. The line of credit facility is covered by a General Security Agreement with a floating charge specific to the assets located at 10 Overlea Boulevard, Toronto that are repayable on demand. The operating line of credit bears interest at MODC's bank prime rate on amounts drawn. No amount had been drawn from this facility as at March 31, 2017 and 2016.

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Notes to the consolidated financial statements

March 31, 2017

17. Commitments and contingencies

(a) Operating

In the normal course of operations, MODC enters into a variety of commitments and incurs various contingencies. These are not accounted for until the amounts are reasonably determinable.

MODC has commitments for its leased equipment and premises. The approximate future minimum annual lease payments are as follows:

	Equipment	Premises	Total
	\$	\$	\$
2018	118,809	2,631,760	2,750,569
2019	95,349	2,184,069	2,279,418
2020	70,049	1,289,625	1,359,674
2021	32,719	743,240	775,959
2022	1,198	600,682	601,880
Thereafter	-	582,016	582,016
	<u>318,124</u>	<u>8,031,392</u>	<u>8,349,516</u>

(b) University of Toronto pledge

MODC pledged a total of \$1.5 million up to 2021 to the University of Toronto's "Department of Occupational Science and Occupational Therapy", in the Faculty of Medicine, in support of the March of Dimes Paul J. J. Martin Early Career Professorship in community integration following acquired brain injury (Note 13 (e)(i)). The future minimum and annual pledge payments are as follows:

	\$
2018	100,000
2019	100,000
2020	100,000
2021	100,000
	<u>400,000</u>

18. Pension plan

MODC provides pension benefits for substantially all of its permanent employees through a defined contribution plan. Mandatory contributions are required from both participating permanent employees and MODC in accordance with established contribution rates. For the year ended March 31, 2017, MODC incurred \$1,140,436 (2016 - \$991,237) as its pension contribution expense.

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Notes to the consolidated financial statements

March 31, 2017

19. Allocation of expenses

Administration expenses of \$6,705,491 (2016 - \$6,406,527) have been allocated as follows:

	2017	2016
	\$	\$
Independent Living Services	6,252,507	6,009,760
Employment Services	205,231	152,946
AccessAbility® Services	138,240	138,240
Passport Services	96,852	92,407
Community Engagement and Integration Services	12,661	13,174
	6,705,491	6,406,527

20. Subsequent event

MODC purchased the assets of a Rehabilitation services company in British Columbia, on April 18, 2017. The Company delivers services to clients requiring Employment or Acquired Brain Injury Services, which aligns with MODC's vision and values of providing services to people with physical disabilities so that they can achieve the highest possible level of independence. The purchase agreement initial payment of \$550,000 includes identifiable assets of \$159,795. Additional payments are contingent on the renewal of the contract, value of service received and performance.