

Financial statements of

**March of Dimes Canada
Non-Profit Housing Corporation**

March 31, 2016

March of Dimes Canada Non-Profit Housing Corporation

March 31, 2016

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Deloitte LLP
400 Applewood Crescent
Suite 500
Vaughan ON L4K 0C3
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Directors of
March of Dimes Canada
Non-Profit Housing Corporation

We have audited the accompanying financial statements of March of Dimes Canada Non-Profit Housing Corporation ("NPHC"), which comprise the statement of financial position as at March 31, 2016, and the 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. The financial statements have been prepared by management of NPHC in accordance with the basis of accounting described in Note 2.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the basis of accounting described in Note 2, 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 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NPHC as at March 31, 2016 and its results of operations and its cash flows for the year then ended, in accordance with the basis of accounting described in Note 2.

Basis of Accounting and Restriction on Use and Distribution

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist NPHC to comply with Section 80(2) of the Housing Services Act and guidance in its application issued by Housing and Residential Services Division of the Regional Municipality of Halton. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for NPHC and the Regional Municipality of Halton and should not be distributed to or used by parties other than NPHC or the Regional Municipality of Halton.

Other Matter

The financial statements of NPHC for the year ended March 31, 2015 were audited by another auditor who expressed an unmodified opinion on July 28, 2016.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
July 26, 2016


**March of Dimes Canada Non-Profit
Housing Corporation**
Statement of financial position
as at March 31, 2016

	2016	2015
	\$	\$
Assets		
Current assets		
Cash	109,254	114,278
Restricted cash and investments (Note 3)	763,805	642,221
	873,059	756,499
Accounts receivable (Note 8)	96,974	751,077
Amount due from March of Dimes Canada ("MODC") (Note 5b)	240,171	-
Prepaid expenses	35,251	39,307
	1,245,455	1,546,883
Capital assets (Note 4)	7,982,487	8,371,864
	9,227,942	9,918,747
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	506,076	211,140
Amount due to MODC (Note 5b)	-	255,344
Current portion of mortgage payable (Note 6)	261,295	249,465
	767,371	715,949
Long-term mortgage payable (Note 6)	4,769,033	5,030,329
Deferred capital contributions (Note 7)	2,778,985	2,918,375
	8,315,389	8,664,653
Commitments (Note 9)		
Fund balances		
Invested in capital assets	32,258	35,261
Unrestricted funds	181,685	667,870
Externally restricted fund	22,092	-
Capital reserve	676,518	550,963
	912,553	1,254,094
	9,227,942	9,918,747

On behalf of the Board



Director



Director

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

March of Dimes Canada Non-Profit Housing Corporation

Statement of revenue and expenses
year ended March 31, 2016

	2016				2015			
	Jean and Howard Caine Apartments	Jason's House	Meynell House	Wade Standing Oaks	Hampton House	Externally restricted Fund	General Fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Grant subsidy	676,489	17,342	-	24,523	-	-	-	693,312
March of Dimes Canada subsidy	21,791	-	-	7,639	5,376	-	-	34,806
Rent (Note 5 (a iii))	325,704	4,407	67,781	8,916	76,017	-	-	482,825
Parking and laundry	25,651	-	-	140	-	-	-	25,791
Utilities	-	6,150	-	-	-	-	-	6,150
Miscellaneous	-	-	1,853	4,414	-	943	-	7,210
Capital contributions related to expenses	42,623	15,509	353	-	48,445	-	-	106,930
Amortization of deferred capital contributions (Note 7)	4,033	718	12,743	19,561	107,547	-	-	144,602
	1,096,291	44,126	82,730	65,193	237,385	943	-	1,526,668
Expenses								
Mortgage interest	239,046	-	-	-	-	-	-	239,046
Building materials, services and rent	89,605	6,672	56,989	13,120	60,436	-	-	226,822
Special investigation (Note 5 (a ii))	-	-	-	-	-	14,420	-	14,420
Refund to Halton Region (Note 2c)	-	-	-	-	-	380,000	-	380,000
Utilities	103,214	6,319	-	8,713	31,653	-	-	149,899
Property taxes	112,660	-	-	-	-	-	-	112,660
Labour-related	51,141	516	1,033	1,033	516	-	-	54,239
Other operating	32,988	14,981	1,986	-	6,967	-	-	56,922
Property management, administration and audit (Note 5 (a i))	94,250	3,732	5,421	6,041	5,326	-	-	114,770
Insurance	61,869	2,164	-	7,497	15,640	-	-	87,170
Interest	-	-	-	-	7,608	-	-	7,608
Bad debt	617	-	-	-	-	-	-	617
	785,390	34,384	65,429	36,404	128,146	394,420	-	1,444,173
Grants designated for capital reserve	38,356	5,400	-	8,760	-	-	-	52,516
	823,746	39,784	65,429	45,164	128,146	394,420	-	1,496,689
Excess (deficiency) of revenue over expenses before the undemoted Amortization	272,545	4,342	17,301	20,029	109,239	(393,477)	-	29,979
	253,955	1,555	12,953	19,561	109,051	-	-	397,075
Excess (deficiency) of revenue over expenses	18,590	2,787	4,348	468	188	(393,477)	-	(367,096)
								693,045

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

March of Dimes Canada Non-Profit Housing Corporation

Statement of changes in fund balances
year ended March 31, 2016

	2016		2015	
	Capital reserve			
	Invested in capital assets	Externally restricted fund (Note 2c)	Jean and Howard Caine Apartments	Pooled Capital Fund
	\$	\$	\$	\$
	Unrestricted funds	Total	Total	Total
Fund balances, beginning of year	35,261	-	388,032	162,931
Deficiency of revenue over expenses	(145,543)	(393,477)	-	-
Grants designated for capital reserve	-	-	38,356	14,160
Interest on capital reserve investments	-	-	-	1,308
Unrealized gain on capital reserve investments	-	-	2,749	-
Withdrawals from capital reserve	-	-	(17,805)	(13,213)
Inter-fund transfers	-	-	-	-
Purchase of capital assets	7,698	-	-	-
Deferred capital contributions	(114,624)	-	-	-
Mortgage payable	249,466	-	-	-
From the General fund to Externally restricted and Capital reserve funds (Notes 2b and 2c)	-	415,569	100,000	-
Fund balances, end of year	32,258	22,092	511,332	165,186
			912,553	1,254,094

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

March of Dimes Canada Non-Profit Housing Corporation

Statement of cash flows
year ended March 31, 2016

	2016	2015
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses	(367,096)	693,045
Items not involving cash		
Amortization	397,075	387,601
Amortization of deferred capital contributions	(251,532)	(234,615)
Unrealized gain on capital reserve investments	2,749	16,925
Changes in non-cash operating working capital		
Accounts receivable	654,103	(669,938)
Amount due from MODC	(240,171)	-
Prepaid expenses	4,056	(7,454)
Amount due to MODC	(255,344)	255,344
Accounts payable and accrued liabilities	294,936	(197,595)
	238,776	243,313
Financing activities		
Deferred capital contributions	112,142	63,586
Mortgage principal repayments	(249,466)	(238,171)
	(137,324)	(174,585)
Investing activities		
Capital reserve contributions	52,516	51,453
Interest on capital reserve	1,308	1,847
Withdrawals from capital reserve	(31,018)	(82,193)
Purchase of capital assets	(7,698)	(41,002)
	15,108	(69,895)
Increase (decrease) in cash and restricted cash and investments	116,560	(1,167)
Cash and restricted cash and investments, beginning of year	756,499	757,666
Cash and restricted cash and investments, end of year	873,059	756,499
Consisting of		
Cash	109,254	114,278
Restricted cash and investments	763,805	642,221
	873,059	756,499
Supplemental cash flow information		
Interest received	4,640	2,739
Interest paid	246,654	259,584

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

March of Dimes Canada Non-Profit Housing Corporation

Notes to the financial statements

March 31, 2016

1. Nature of Organization

Ontario March of Dimes Non-Profit Housing Corporation ("NPHC") was incorporated without share capital on June 2, 1992. NPHC was formed to provide and operate housing accommodation, with or without any public space, recreational facilities, and commercial space or buildings appropriate thereto primarily to accommodate persons with physical disabilities. In 2013, NPHC applied for continuance under the Canada Not-for-profit Corporations Act. The application was approved in May 2013 and the corporation is now known as March of Dimes Canada Non-Profit Housing Corporation. NPHC is classified as a registered charity under the Income Tax Act (Canada) and, as such, is not subject to income taxes.

NPHC owns and operates four properties in the Province of Ontario: Jean and Howard Caine Apartments, located in Oakville; Jason's House, located in Hamilton; Standing Oaks, located in Sarnia; and Wade Hampton House, located in Sudbury. NPHC also leases and operates an additional property, Meynell House, located in Toronto, Ontario.

2. Summary of significant accounting policies

(a) *Basis of presentation*

These financial statements have been prepared in accordance with the prescribed accounting policies to comply with Section 80(2) of the Housing Services Act and guidance in its application issued by the Housing and Residential Services Division of the Regional Municipality of Halton (the "Halton Region"). The basis of accounting used in these financial statements materially differs from Canadian accounting standards for not-for-profit organizations ("ASNPOs") as follows:

(i) *Capital reserve funds*

Under the terms of the operating agreement with Halton Region, NPHC is required to establish capital reserve funds for the purpose of funding major asset repairs and replacement. Grant subsidies designated for the Capital reserve funds are initially recorded in the Statement of revenue and expenses and then transferred to the Capital reserve fund. Additions to the capital reserve funds represent grants received from Halton Region for specific capital projects and are recorded directly in the capital reserve funds and not on the Statement of revenue and expenses. Expenses made from capital reserve funds are reported within these funds and not on the Statement of revenue and expenses.

Interest income earned and unrealized gain on capital reserve funds are recorded directly to the capital reserve funds and are not reported on the Statement of revenue and expenses.

The cash and investments of the capital reserve fund for the Jean and Howard Caine Apartments that are funded under the Housing Services Act are restricted and can only be used for capital expenses, as defined in the Halton Region's Guide to the Annual Information Return.

Additional capital reserve funds have been established for the other properties by the Board of Directors. These pooled funds are restricted in that they may only be used for capital expenses, but no specific amounts are designated for individual properties.

(ii) *Amortization*

Amortization on the Jean and Howard Caine Apartments is charged in an amount equal to the principal repayment on the mortgage (which is financing both the land and the building).

March of Dimes Canada Non-Profit Housing Corporation

Notes to the financial statements

March 31, 2016

2. Summary of significant accounting policies (continued)

(b) General fund

This fund accounts for funds that were segregated pending finalization of a project plan. This project plan was finalized during the year and hence, the total balance of the General fund as at March 31, 2015 of \$643,113, less \$127,544 of expenses incurred in the 2014 fiscal year, was transferred to the Externally restricted fund (\$415,569) and to the Capital reserve fund (\$100,000) during the year.

(c) Externally restricted fund

This fund was established during the year to account for any future claims related to a special investigation, as instructed by the Halton Region (Note 2 (b)).

\$415,569 was transferred from the General fund during the year (Note 2 (b)), of which \$14,420 was spent on claims related to the special investigation and \$380,000 was refunded to Halton Region.

(d) Capital assets

Buildings and building additions are stated at cost less accumulated amortization.

Amortization on Jason's House, Wade Hampton House and Standing Oaks is charged over a period of 40 years using the straight-line method.

Furniture and equipment are being amortized over a period of 5 to 10 years using the straight-line method.

Leasehold improvements are amortized over the term of the lease.

(e) Revenue recognition

NPHC follows the accrual method of recognizing rental revenue and grant subsidies.

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.

Capital contributions are amortized over the life of the related capital asset. Capital contributions that relate to expenses not capitalized are recognized as revenue when the expenditure is made.

Contributed services are not recognized in the financial statements.

Investment income is recognized on the accrual basis.

(f) Financial instruments

Cash and restricted cash and investments are measured at fair value. Changes in fair value of restricted cash and cash equivalents held for capital reserve funds are recorded as unrealized loss on capital reserve and are recorded directly in the capital reserve funds and not on the Statement of revenue and expenses, as described in Note 2 (a)(i). Accounts receivable, accounts payable and accrued liabilities and mortgage payable are measured at amortized cost.

Investments are in money market funds, consisting of cash and cash equivalents.

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

March of Dimes Canada Non-Profit Housing Corporation

Notes to the financial statements

March 31, 2016

2. Summary of significant accounting policies (continued)

(g) Use of estimates

The preparation of 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 Statement of financial position date and the reported amounts of revenue and expenses during the year. Future actual results may differ from such estimates. Balances which require some degree of estimation include amortization of capital assets and deferred capital contributions.

3. Restricted cash and investments

	2016	2015
	\$	\$
Capital reserve funds	676,518	550,963
Tenant deposits	17,927	19,415
Unspent deferred capital contributions (Note 7)	69,360	71,843
	763,805	642,221

The above balance is comprised of:

	2016	2015
	\$	\$
Restricted cash	203,387	85,860
Restricted investments		
Term deposits	140,886	139,578
Pooled funds		
Social Housing Canadian Short-Term Bond Fund Series A	308,762	306,516
Social Housing Canadian Bond Fund Series A	110,770	110,267
	763,805	642,221

The term deposits mature between May 11, 2016 and September 21, 2016 (2015 - between May 12, 2015 and September 23, 2015) and bear interest from 0.90% to 0.95% (2015 - from 1.00% to 1.10%).

The pooled funds are held with Phillips, Hager and North investment Funds Ltd.

March of Dimes Canada Non-Profit Housing Corporation

Notes to the financial statements

March 31, 2016

4. Capital assets

	Cost	Accumulated amortization	2016	2015
			Net book value	Net book value
	\$	\$	\$	\$
Jean and Howard Caine Apartments				
Land	1,790,603	-	1,790,603	1,790,603
Building	6,402,615	3,158,122	3,244,493	3,493,959
Furniture and equipment	170,706	154,952	15,754	12,547
	8,363,924	3,313,074	5,050,850	5,297,109
Jason's House				
Building	26,332	16,122	10,210	11,210
Furniture and equipment	4,818	4,448	370	925
	31,150	20,570	10,580	12,135
Standing Oaks				
Building	782,443	237,993	544,450	564,011
Furniture and equipment	1,071	1,071	-	-
	783,514	239,064	544,450	564,011
Meynell House				
Furniture and equipment	89,097	62,177	26,920	36,836
Leasehold improvements	35,790	13,232	22,558	25,594
	124,887	75,409	49,478	62,430
Wade Hampton House				
Land	200,631	-	200,631	200,631
Building	2,247,634	262,058	1,985,576	2,041,769
Furniture and equipment	377,948	237,026	140,922	193,779
	2,826,213	499,084	2,327,129	2,436,179
	12,129,688	4,147,201	7,982,487	8,371,864

5. March of Dimes Canada ("MODC")

MODC has the mandate to maximize the independence, personal empowerment and community participation of people with physical disabilities. This is accomplished through several programs, including Assistive Devices, Employment Services and Independent Living Services. MODC is a registered charitable organization and, as such, is exempt from income taxes.

MODC controls and provides NPHC with financial and administrative services, including governance support. Additionally, MODC's oversight is provided on property management, tenant relations, direct community and public relations and coordination of legal, audit and insurance.

March of Dimes Canada Non-Profit Housing Corporation

Notes to the financial statements

March 31, 2016

5. March of Dimes Canada ("MODC") (continued)

(a) Transactions during the year include the following:

- (i) Included in administrative and professional services expense are fees of \$7,704 (2015 - \$7,704) paid to MODC for services provided in connection with properties other than the Jean and Howard Caine Apartments. MODC is not reimbursed for the value of the services provided for the Jean and Howard Caine Apartments. This amount is not reflective of actual costs of administrative and professional services provided by MODC to NPHC.
- (ii) Included In special investigation expense are fees of \$Nil (2015 - \$9,561) paid to MODC for services provided in connection with the Jean and Howard Caine Apartments.
- (iii) MODC rents a portion of NPHC premises and pays rent to NPHC. The total charges were \$30,355 (2015 - \$29,661).
- (iv) During the year, NPHC's Board of directors approved a contribution of \$41,270 (2015 - \$Nil) to MODC to be applied to the Sudbury capital campaign.

(b) Amount due from (to) MODC consists of the following:

	2016	2015
	\$	\$
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%	(186,262)	(196,322)
Interest payable on the promissory note	(13,955)	(13,955)
Amounts payable to MODC for expenses paid on behalf of NPHC	(60,555)	(45,067)
Amount due from (to) MODC	240,171	(255,344)

6. Mortgage payable

The mortgage payable is secured by the Oakville land and building and is guaranteed by Canada Mortgage and Housing Corporation. The mortgage balance of \$5,030,328 (2015 - \$5,279,794) is being repaid over a 22-year amortization period in 10-year terms. The rate for the 10-year term ending March 1, 2018 (the maturity date) is 4.6872%. Monthly blended repayments of principal and interest are \$40,775.

Principal repayments until the maturity date of March 1, 2018 are as follows:

	\$
2017	261,295
2018	4,769,033
	5,030,328

March of Dimes Canada Non-Profit Housing Corporation

Notes to the financial statements
March 31, 2016

7. Deferred capital contributions

Deferred capital contributions represent contributions received for capital purposes. The changes in the deferred capital contributions balance for the year are as follows:

	2016	2015
	\$	\$
Balance, beginning of year	2,918,375	3,089,404
Contributed	112,142	63,586
	3,030,517	3,152,990
Less: amounts amortized to revenue	251,532	234,615
Balance, end of year	2,778,985	2,918,375

As at March 31, 2016, there was \$69,630 (2015 - \$71,843) of deferred capital contributions which was received and not spent.

8. Grant subsidy

During 2016, pursuant to instructions received from Halton Region, NPHC repaid \$Nil (2015 - \$11,476) to the Halton Region relating to prior year grant subsidy deficit and accrued an amount receivable of \$9,553 (2015 - \$Nil) for the current year subsidy adjustment.

9. Commitments

NPHC has a commitment with a property management firm for property management and financial services which totals \$117,181 per year up to July 5, 2018.

NPHC has commitments for leased premises for Meynell House. The approximate future minimum annual lease payments are as follows:

	\$
2017	55,500
2018	55,500
2019	55,500
2020	55,500
2021	55,500
Thereafter	110,000
	387,500

10. Comparative amounts

The following prior year comparative amounts have been reclassified to conform to the current year's financial statement presentation:

	As amended	As previously reported
	\$	\$
Statement of financial position		
Accounts payable and accrued liabilities	(211,140)	(466,484)
Amount due to MODC	(255,344)	-
	(466,484)	(466,484)

The Statement of cash flows was amended accordingly.