
Consolidated financial statements of March of Dimes Canada

March 31, 2020

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Independent Auditor's Report

To the Board of Directors of
March of Dimes Canada

Qualified Opinion

We have audited the consolidated financial statements of March of Dimes Canada ("MODC"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of MODC as at March 31, 2020, 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.

Basis for Qualified Opinion

In common with many not-for-profit 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 recorded revenue, the excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2020 and 2019, current assets as at March 31, 2020 and 2019, and fund balances as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of MODC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing MODC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate MODC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing MODC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness MODC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on MODC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause MODC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within MODC to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our qualified audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
August 26, 2020

March of Dimes Canada
Consolidated statement of financial position

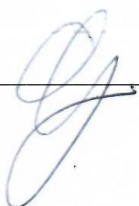
As at March 31, 2020

	Notes	2020 \$	2019 \$
(Note 19)			
Assets			
Current assets			
Cash and restricted cash	3	16,408,736	12,983,862
Short-term investments	4	181,791	4,274,608
Accounts receivable	5	5,799,119	6,616,724
Amount due from March of Dimes Canada Non-Profit Housing Corporation ("NPHC")	6(a)	767,997	242,787
Prepaid expenses		385,179	579,019
Grants and allocations receivable		14,119	24,840
		23,556,941	24,721,840
Restricted investments	7	5,980,986	6,351,587
Capital assets	8	5,422,769	5,822,515
Intangible assets			
Goodwill	9(a)	—	953,140
Trademark	9(b)	1,413,751	1,413,751
		36,374,447	39,262,833
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	8,666,008	7,773,091
Unexpended program grants and deferred revenue	11	2,049,383	3,935,744
Government advances		1,652,480	2,691,647
		12,367,871	14,400,482
Deferred capital grants	12	1,245,228	2,115,815
		13,613,099	16,516,297
Commitments			
17			
Fund balances			
Internally restricted funds			
Invested in capital and intangible assets		5,591,292	6,073,591
Operating Reserve	13(a)	8,454,186	8,076,251
Building Reserve	13(b)	1,648,513	1,872,569
Capital Reserve	13(c)	2,122,553	1,843,008
Ability and Beyond Reserve	13(d)	4,944,804	4,881,117
		22,761,348	22,746,536
		36,374,447	39,262,833

The accompanying notes are integral part of the consolidated financial statements.

On behalf of the Board

 Director

 Director

March of Dimes Canada

Consolidated statement of revenue and expenses

Year ended March 31, 2020

	Notes	Internally restricted funds			2020 Total \$	2019 Total \$
		Operating fund \$	Ability and Beyond \$	Other Reserves \$		
Revenue						
Government grants		87,604,884	—	—	87,604,884	84,495,549
Fees		33,637,317	—	—	33,637,317	32,676,406
Program recovery		603,705	—	—	603,705	18,108,193
Philanthropy and non-government grants	14	8,302,087	—	—	8,302,087	8,155,929
Investment and other		2,653,191	(201,547)	(93,123)	2,358,521	1,810,415
		132,801,184	(201,547)	(93,123)	132,506,514	145,246,492
Expenses						
Programs						
Community Support Services		70,888,516	—	—	70,888,516	68,587,394
Employment Services		27,239,631	—	—	27,239,631	26,202,629
AccessAbility® Services		11,511,199	144,295	—	11,655,494	11,946,845
Passport Services		669,114	—	—	669,114	18,176,209
Community Programs and After Stroke		5,102,459	1,095,511	—	6,197,970	5,292,885
Information Services, Advocacy and Public Affairs, Grants and Awards		283,690	—	—	283,690	1,151,933
		115,694,609	1,239,806	—	116,934,415	131,357,895
Philanthropy	14	2,676,902	—	—	2,676,902	2,919,600
Contribution to NPHC	6(a) and (iii)	—	—	—	—	465,861
Administration	8	12,091,688	244,960	—	12,336,648	9,354,974
Amortization	8	—	—	543,737	543,737	497,774
		130,463,199	,484,766	543,737	132,491,702	144,596,104
Excess (deficiency) of revenue over expenses		2,337,985	(1,686,313)	(636,860)	14,812	650,388

The accompanying notes are integral part of the consolidated financial statements.

March of Dimes Canada

Consolidated statement of changes in fund balances

Year ended March 31, 2020

	Notes	Internally restricted funds							2020 Total \$	2019 Total \$
		Operating Fund \$	Invested in capital and intangible assets \$	Operating Reserve \$	Building Reserve \$	Capital Reserve \$	Sub-total \$	Ability and Beyond Reserve \$		
Fund balances, beginning of year	19	—	6,073,591	8,076,251	1,872,569	1,843,008	17,865,419	4,881,117	22,746,536	22,096,148
Excess (deficiency) of revenue over expenses		2,337,985	(432,255)	(163,190)	(20,872)	(20,543)	(636,860)	(1,686,313)	14,812	650,388
Purchase of capital assets	8	—	1,213,504	(310,408)	(203,184)	(699,912)	—	—	—	—
Deferred capital grants	12	—	(310,408)	310,408	—	—	—	—	—	—
Interfund transfers										
Transfer from Invested in capital and intangible assets		953,140	(953,140)	—	—	—	(953,140)	—	—	—
Transfer to Operating Reserve	13(a)	(541,125)	—	541,125	—	—	541,125	—	—	—
Transfer to Capital Reserve	13(c)	(1,000,000)	—	—	—	1,000,000	1,000,000	—	—	—
Transfer to Ability and Beyond Reserve	13(d)	(1,750,000)	—	—	—	—	—	1,750,000	—	—
Fund balances, end of year		—	5,591,292	8,454,186	1,648,513	2,122,553	17,816,544	4,944,804	22,761,348	22,746,536

The accompanying notes are integral part of the consolidated financial statements.

March of Dimes Canada
Consolidated statement of cash flows
Year ended March 31, 2020

	2020	2019
	\$	\$
Notes		(Note 19)
Operating activities		
Excess of revenue over expenses	14,812	650,388
Items not involving cash		
Amortization	543,737	497,774
Loss on disposal of capital assets	1,069,513	—
Amortization of deferred capital grants	(111,482)	(103,220)
Amortization of deferred capital grants related to disposal of capital assets	(1,069,513)	—
Unrealized loss (gain) on restricted investments	322,065	(376,408)
Write-off of goodwill	953,140	—
Changes in non-cash operating working capital		
Accounts receivable	817,605	1,117,971
Amount due from NPHC	(525,210)	42,563
Prepaid expenses	193,840	(164,479)
Grants and allocations receivable	10,721	(16,880)
Accounts payable and accrued liabilities	892,917	(1,781,814)
Unexpended program grants and deferred revenue	(1,886,361)	1,441,540
Government advances	(1,039,167)	176,510
	186,617	1,483,945
Financing activity		
Receipt of deferred capital grants	310,408	226,499
Investing activities		
Restricted investments, net	48,536	(295,252)
Purchase of capital assets	(1,213,504)	(606,635)
	(1,164,968)	(901,887)
(Decrease) Increase in cash and restricted cash and short – term investments	(667,943)	808,557
Cash and restricted cash and short-term investments, beginning of year	17,258,470	16,449,913
Cash and restricted cash and short-term investments, end of year	16,590,527	17,258,470
Represented by		
Unrestricted cash	16,244,710	12,810,372
Restricted cash	164,026	173,490
Short-term investments	181,791	4,274,608
	16,590,527	17,258,470

The accompanying notes are integral part of the consolidated financial statements.

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 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 charity under the *Income Tax Act (Canada)* and, as such, is exempt from income taxes.

MODC's programs include the following:

- (a) Community Support 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 disabilities to achieve independence through establishing employment plans, delivering training and on-the-job support. Programs offered include assessment services, job skills training, 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 Children, Community and Social Services to people with developmental disabilities for a variety of services. MODC holds the contract for the Ottawa region.
- (e) Community Programs and After Stroke - to enhance the quality of life of adults with disabilities through recreation and travel, leisure and social integration, Life skills and Transition Services, ModMobility, DesignAbility, as well as After Stroke and Post-Polio programming.
- (f) Information Services, Advocacy and Public Affairs, Grants and Awards - Information Services educate consumers, caregivers and the general public about disability and self-management, how to access services and resources, and serve as venues for sharing issues and concerns. The Advocacy and Public Affairs program promotes public policy, funding and legislation to improve the lives of people with disabilities. The Grants and Awards program recognizes the lifetime achievement of a Canadian scientist as the recipient of the annual Jonas Salk Award and funds the MODC professorship with the University of Toronto department of Rehabilitation 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, 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.

Philanthropy 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. Financial 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.

Restricted investments include 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 Reserve annually.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

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 liabilities, 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

Management reviews the carrying value of the indefinite life trademark 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) Goodwill

Goodwill represents the future economic benefits arising from assets acquired, to expand and further MODC’s national presence, from InFocus Rehabilitation Services (“InFocus”) (see Note 9(a)) that are not individually identified and separately recognized. Goodwill is not amortized and is tested for impairment whenever events or changes in circumstances indicate that the fair value of the entity to which the goodwill is assigned may be less than its carrying amount. When the carrying amount of a reporting unit exceeds its fair value, a goodwill impairment loss is recognized in income in an amount equal to the excess.

(f) 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.

2. Significant accounting policies (continued)

(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, goodwill, intangible asset, accrued liabilities, unexpended program grants and deferred revenue, government advances, deferred capital grants, and amortization of capital assets.

3. Cash and restricted cash

Restricted cash of \$164,026 (\$173,490 in 2019) relating to Bingo and Lottery philanthropy 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 April 28, 2020 and July 10, 2020 (between May 7, 2019 and September 17, 2019 in 2019) and bear interest between 1.1% and 2.1% (between 2.15% and 2.25% in 2019).

5. Accounts receivable

	2020	2019
	\$	\$
		(Note 19)
Fee for service	3,966,180	4,144,505
Program fees	1,270,278	2,064,631
Charitable gaming	47,788	161,122
Harmonized Sales Tax	457,258	195,051
Other	95,871	84,095
Allowance for doubtful accounts	(38,256)	(32,680)
	5,799,119	6,616,724

6. Controlled organizations

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

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

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

6 Controlled organizations (continued)

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

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.

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

MODC appoints all members of the Board of Directors of NPHC and, as such, exercises control over NPHC.

Transactions during the year with NPHC were as follows:

- (i) NPHC paid \$8,283 (\$7,704 in 2019) 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 \$34,652 for 2020 (\$32,251 in 2019).
- (iii) During 2019, \$465,861 was paid out of what was formerly the MODC Housing Fund to NPHC out of which \$420,000 was applied to the Sudbury capital project and \$45,861 towards other NPHC projects. No similar transaction occurred during the year ended March 31, 2020.

Amount due from NPHC consists of the following:

	2020	2019
	\$	\$
In March 2018, NPHC signed a promissory note with MODC for a loan in the amount of \$75,000 to support the expansion of the Standing Oaks building in Sarnia. The loan is repayable on demand and bears interest at the prime rate plus 1%, per annum, but the principal and the accrued interest are due no later than March 31, 2022	68,750	75,000
Interest receivable on the Sarnia promissory note	—	4,123
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 the prime rate plus 1%, per annum, but the loan is payable no later than March 31, 2025	146,022	156,082
Interest receivable on the Sudbury promissory note	13,955	13,955
Amounts payable (receivable) for expenses to be paid on behalf of Housing Fund (MODC approved funds)	539,270	(6,373)
Amount due from NPHC	767,997	242,787

March of Dimes Canada
Notes to the consolidated financial statements
 March 31, 2020

6. Controlled organizations (continued)

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

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:

	2020	2019
	\$	\$
Current assets	1,525,931	1,270,475
Capital assets	12,961,586	9,950,716
	14,487,517	11,221,191
Current liabilities	1,360,990	1,044,849
Mortgage payable (long-term)	3,512,201	3,849,363
Deferred capital contributions	8,728,971	5,480,668
	13,602,162	10,374,880
Fund balances	885,355	846,311
	14,487,517	11,221,191

	2020	2019
	\$	\$
Revenue	1,472,696	1,553,285
Expenses, including amortization of \$458,804 (\$436,738 in 2019)	1,475,655	1,538,466
(Deficiency) excess of revenue over expenses	(2,959)	14,819
Cash flows provided by (used in)		
Operating activities	545,570	214,307
Financing activities	3,087,491	2,078,556
Investing activities	(3,440,393)	(2,520,670)
Net cash inflow (outflow)	192,668	(227,807)

(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.

MODC appoints all members of the Board of Directors of RFDP, U.S. and, as such, exercises control over RFDP, U.S.

(c) *Stroke Recovery Association of British Columbia, (the "Association")*

The Association is incorporated under British Columbia Societies Act on June 11, 1976 and is a registered charity under the *Income Tax Act (Canada)* and therefore is not subject to income tax. The Association's objectives are to provide stroke recovery services throughout the province of British Columbia.

MODC appoints the majority of the members of the Board of Directors of the Association and, as such, exercises control over the Association.

6. Controlled organizations (continued)

(c) *Stroke Recovery Association of British Columbia, (the "Association") (continued)*

Transactions during the year with the Association were as follows:

- (i) MODC total donations and bequests to the Association were \$133,585 (\$77,039 in 2019).
- (ii) MODC rents a portion of the Association premises and pays rent to the Association. The total charges were \$27,054 (\$26,538 in 2019).
- (iii) During the year, the Association paid MODC \$106,851 (\$115,859 in 2019) for administrative salaries and benefits.
- (iv) During the year, the Association paid MODC \$51,023 (\$55,612 in 2019) for professional services rendered.

As at March 31, 2020, MODC has a net receivable from the Association of \$8,889 (\$8,873 in 2019). The balance is interest free and payable on demand.

The following is a summary of financial information extracted from the financial statements of The Association:

	2020	2019
	\$	\$
Current assets	549,476	523,474
Capital assets	746	1,234
	550,222	524,708
Current liabilities	44,241	38,445
Deferred revenue	453,297	438,659
	497,538	477,104
Fund balances	52,684	47,604
	550,222	524,708
	2020	2019
	\$	\$
Revenue	548,741	549,474
Expenses, including amortization of \$488 (\$489 in 2019)	543,661	503,837
Excess of revenue over expenses	5,080	45,637
Cash flows provided by Operating activities	24,912	40,345
Net cash inflow	24,912	40,345

March of Dimes Canada
Notes to the consolidated financial statements
 March 31, 2020

7. Restricted investments

	Cost	2020 Fair value	Cost	2019 Fair value
	\$	\$	\$	\$
Cash and cash equivalents	66,764	66,764	66,231	66,231
Pooled funds - Ability and Beyond Reserve and other reserves	6,432,461	5,914,222	6,153,625	6,285,356
	6,499,225	5,980,986	6,219,856	6,351,587

The unrealized (loss) gain on restricted investments is recorded in investment and other revenue in the consolidated statement of revenue and expenses, and then transferred from the Operating Fund to the Ability and Beyond Reserve (Note 13(d)) and other reserves each year, as these are the funds invested.

For the year ended March 31, 2020, the unrealized gain (loss) on restricted investments is as follows:

	2020	2019
	\$	\$
Ability and Beyond Reserve	(205,247)	239,468
Other reserves	(116,818)	136,940
Total unrealized (loss) gain	(322,065)	376,408

8. Capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
	\$	\$	\$	\$
Land	1,901,383	—	1,901,383	1,901,383
Buildings	2,317,230	(1,426,613)	890,617	862,961
Vehicles	384,629	(379,996)	4,633	46,604
Machinery, equipment computer hardware and software	5,846,074	(3,292,984)	2,553,090	2,800,270
Leasehold improvements	134,306	(61,260)	73,046	211,297
	10,583,622	(5,160,853)	5,422,769	5,822,515

The total cost of capital assets acquired during the year was \$1,213,504 (\$606,635 in 2019), and was partially financed by capital grants of \$310,408 (\$226,499 in 2019).

Amortization expense related to donor dollar funded capital assets totaled \$432,255 (\$394,866 in 2019), and the amortization expense relating to government grant funded capital assets totaled \$111,482 (\$103,220 in 2019).

During the year, capital assets with a cost of \$12,869,777 and accumulated amortization of \$11,800,264 were written-off. The resulting loss on disposal of \$1,069,513, which is included in administration expenses in the consolidated statement of revenue and expenses, was offset with capital grants that were previously deferred.

9. Intangible assets

(a) *Goodwill*

MODC strategically purchased the net assets of InFocus, a company registered in British Columbia, on April 18, 2017, which positioned MODC to bid on contracts. InFocus delivers services to clients who require Employment Services and Acquired Brain Injury Services.

The fair value of the net assets acquired amounted to \$1,112,935 and goodwill in the amount of \$953,140, representing the excess of the consideration paid over the net assets acquired, was recorded at the time of the purchase.

Due to the contract not being able to reach profitability to the extent that it was proposed in the original agreement, the full amount of goodwill was written off in 2020.

(b) *Trademark*

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 fiscal 2005 and fiscal 2009, leaving the asset with a book value of \$1,413,751. Management subsequently determined that the trademark has an indefinite life and, accordingly, ceased its amortization.

10. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$915,746 (\$841,712 in 2019) 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 has received the appropriate approval.

MODC received 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.

	2020	2019
	\$	\$
Balance, beginning of year	3,935,744	2,494,204
Amounts received	4,647,466	4,538,847
Amounts amortized to revenue	(6,533,827)	(3,097,307)
Balance, end of year	2,049,383	3,935,744

12. Deferred capital grants

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

	2020	2019
	\$	\$
Balance, beginning of year	2,115,815	1,992,536
Amounts received	310,408	226,499
Amounts amortized to revenue	(111,482)	(103,220)
Amounts amortized to revenue related to disposal of capital assets (Note 8)	(1,069,513)	—
Total amounts amortized to revenue	(1,180,995)	(103,220)
Balance, end of year	1,245,228	2,115,815

13. Internally restricted funds

Amounts incurred during the year that are included on the consolidated statement of revenue and expenses were funded from brought forward balances in the respective internally restricted funds.

(a) Operating Reserve (formerly, Stabilization Reserve Fund)

The Operating Reserve is defined as a designated fund set aside by action of the Board of Directions. The intended use of the Operating Reserve is to maintain core program delivery based on areas of greatest needs under the advisory of the Finance Committee and the Board of Directors.

The minimum amount to be designated as Operating Reserves will be established in an amount sufficient to maintain ongoing operating and program delivery due to temporary or long-term changes in financial circumstances. The Operating Reserve serves a dynamic role and will be reviewed and adjusted in response to both internal and external changes.

The Operating Reserve is not intended to replace a permanent loss of funds or eliminate ongoing budget gap. It is the intention of MODC for the Operating Reserve to be used and replenished within a reasonably short period of time. The Operating Reserve is intended to be replenished with the excess of revenue over expenses in the following year.

The target amount of \$8,000,000 is calculated based on our estimated likelihood of any impact due to catastrophic incidents. It is calculated based on total severances and lease commitments.

The amount of the Operating Reserve target minimum will be calculated every five years and confirmed each year at the approval of the annual budget, reported to the Finance Committee and the Board of Directors, and included in the regular financial reporting. This reserve is kept in long-term investments and would support cash flow needs, as required.

Any investment income generated on unused funds will be invested back into the reserve or augment the funding to the other reserves of MODC, as required.

13. Internally restricted funds (continued)

(b) Building Reserve (formerly, Building Capital Reserve)

The Building Reserve is made of available funds for the repair of MODC owned buildings as well as leaseholds when other sources of funding are not available.

The target amount for the Building Reserve will be determined by MODC's long term-major maintenance plan for owned buildings as well as any known expansion activities. Expenses from the Building Reserve will be approved by the Board of Directors annually.

The target amount of the Building Reserve is \$2,000,000 and fund at least \$100,000 annually from investment income.

(c) Capital Reserve (formerly, Major IT Capital Reserve and Minor Capital Reserve)

The Capital Reserve is monitored by the Finance Committee and it is intended for funding minor capital items necessary for the effective ongoing operations of MODC as well as programs and major IT initiatives that are intended to provide investments to build long-term IT infrastructure capacity.

The target amount for the Capital Reserve will be based on ongoing operational needs and the IT strategic plan. Expenses from the Capital Reserve will be approved by the Board of Directors based on a recommendation by the Finance Committee or the Chief Executive Officer.

The target amount of the Capital Reserve is \$2,000,000 and fund at least \$100,000 annually from the investment income.

(d) Ability and Beyond Reserve

The Board of Directors has internally restricted these funds and refers to them cumulatively as the Ability and Beyond ("A&B") Reserve. It is intended that the revenue earned on the fund balances would be used to fund designated activities as below. However, the Board of Directors may choose to expand the principle of this reserve to meet other strategic initiatives that are consistent with MODC's Strategic Plan.

During the year, the Board of Directors approved a new Reserves Policy and therefore all of the former internally restricted funds that cumulatively make up the A&B Reserve have been restructured as follows:

1. Assistive and Adaptive Technology Fund:

This fund is intended to fund or co-fund innovative projects in partnership with the private sector, not-for-profit organizations and research institutes to develop or provide new assistive and adaptive digital devices and technologies in order to make it easier for Canadians with disabilities to more fully participate in existing and emerging digital environments.

2. Community Program Development Fund:

This fund is intended to support priority driven awareness and philanthropy campaigns that support organizational sustainability or the development of community-based projects, which drive improved outcomes and quality of life for individuals living with a disability. The investments will focus on catalyzing innovation and collaboration and will be based on outcome-focused proposals with an agreed cycle of investment and measurable impact.

13. Internally restricted funds (continued)

(d) *Ability and Beyond Reserve (continued)*

3. *Research and Knowledge Innovation Fund/Quality Initiatives (Paul Martin Fund):*

This fund is intended to support a range of different contributory research disciplines that seek to accelerate the evidence and knowledge gained from team scientific investigation and studies to improve the life and well-being of individuals, families, groups, and communities associated with disability, breaking through barriers encountered in all aspects of daily living.

The A&B Reserve may be funded with special designations made by the Board of Directors for any new break through opportunities. The target amount of the A&B Reserve will be \$5,000,000 and fund at least \$250,000 annually from the investment income.

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

	2020	2019
	\$	\$
Balance, beginning of year	4,881,117	4,812,280
Investment income	3,700	3,842
Expenses, including grants and awards	(1,484,766)	(1,574,473)
Unrealized (loss) gain on restricted investments (Note 7)	(205,247)	239,468
Transfer to Research and Knowledge Innovation Fund	374,000	200,000
Transfer to Community Program Development Fund	494,000	1,000,000
Transfer to Assistive and Adaptive Technology Fund	882,000	200,000
Balance, end of year	4,944,804	4,881,117

14. Charitable gaming revenue and expenses

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

	2020	2019
	\$	\$
Net proceeds	292,225	289,150
Administration costs		
Location commission	55,591	55,141
Alcohol and Gaming Commission of Ontario fees	17,821	38,334
Tickets	37,954	37,234
Agent commission	34,306	33,865
License fees	17,315	17,131
	162,987	181,705
	129,238	107,445

March of Dimes Canada

Notes to the consolidated financial statements

March 31, 2020

15. Contracts with the Ministry of Children, 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 ("TPAR") is provided to the Ministry for each of the Service Contracts listed below:

	Project code	Revenue \$	Expenses \$	Net \$	Cash funding \$	2020 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	F707	787,123	787,123	—	800,011	(12,888)
Thunder Bay Rehabilitation services	8868	214,142	214,142	—	214,142	—
Niagara Personal Effectiveness Training program	8868	157,615	157,615	—	157,615	—
Kingston School aged contract	F712	2,053	2,053	—	14,370	(12,317)
Total Ministry grants		11,789,033	11,789,033	—	11,814,238	(25,205)
	Project code	Revenue \$	Expenses \$	Net \$	Cash funding \$	2019 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	F707	18,338,522	18,338,522	—	18,544,883	(206,361)
Thunder Bay Rehabilitation services	8868	217,702	217,702	—	—	217,702
Niagara Personal Effectiveness Training program	8868	159,950	159,950	—	—	159,950
Kingston School aged contract	F712	24,634	24,634	—	—	24,634
Total Ministry Grants requiring TPAR		29,368,908	29,368,908	—	29,172,983	195,925
Sudbury						
Employment Supports Special Funding	8612	—	—	—	—	—
Total Ministry grants		29,368,908	29,368,908	—	29,172,983	195,925

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, 2020 and 2019.

17. Commitments

Operating leases

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 \$
2021	190,101	3,259,729	3,449,830
2022	137,391	2,162,393	2,299,784
2023	79,160	1,730,530	1,809,690
2024	36,282	1,140,893	1,177,175
2025	—	732,774	732,774
Thereafter	—	754,468	754,468
	<u>442,934</u>	<u>9,780,787</u>	<u>10,223,721</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, 2020, MODC incurred \$1,520,029 (\$1,300,244 in 2019) as its pension contribution expense.

19. Comparative amounts

The following prior year amounts were reclassified to agree with the current year's financial statement presentation:

	2019	
	As amended	As previously presented
	\$	\$
Consolidated statement of financial position		
Current assets		
Accounts receivable	6,616,724	6,507,116
Current liabilities		
Accounts payable and accrued liabilities	7,773,091	7,663,483
Fund balances		
Internally restricted funds		
Major IT capital reserve	—	1,268,537
Minor capital reserve	—	574,471
Capital reserve	1,843,008	—
	<u>2,999,375</u>	<u>2,999,375</u>
Consolidated statement of cash flows		
Operating activities		
Items not involving cash		
Unrealized (gain) on restricted investments	(376,408)	—
Changes in non-cash operating working capital		
Accounts receivable	1,117,971	1,227,579
Accounts payable and accrued liabilities	(1,781,814)	(1,891,422)
Investing activities		
Restricted investments, net	(295,252)	(671,660)
	<u>(1,335,503)</u>	<u>(1,335,503)</u>

20. Subsequent event

Subsequent to the year end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel corona virus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the severity and length of these developments will have on the financial results and condition of MODC in future periods.