

Consolidated Financial Statements of

MARCH OF DIMES CANADA

Year ended March 31, 2014



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of March of Dimes Canada

We have audited the accompanying consolidated financial statements of March of Dimes Canada, which comprise the consolidated balance sheet as at March 31, 2014, the consolidated statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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.



Page 2

Basis for Qualified Opinion

In common with many charitable organizations, March of Dimes Canada derives revenue from fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of March of Dimes Canada.

Therefore, we were not able to determine whether, as at and for the year ended March 31, 2014, any adjustments might be necessary to fundraising revenue and excess of revenue over expenses reported in the consolidated statement of revenue and expenses, excess of revenue over expenses reported in the consolidated statement of cash flows and current assets and internally restricted funds reported in the consolidated balance sheet.

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 March of Dimes Canada as at March 31, 2014, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

July 22, 2014
Toronto, Canada

MARCH OF DIMES CANADA

Consolidated Balance Sheet

March 31, 2014, with comparative information 2013

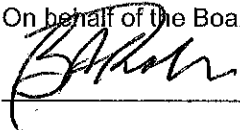
	2014	2013
Assets		
Current assets:		
Cash and restricted cash	\$ 10,194,008	\$ 7,520,717
Short-term investments	200,538	1,771,760
Accounts receivable (notes 2 and 3)	3,097,895	2,987,743
Prepaid expenses	257,444	250,414
Grants and allocations receivable	50,480	144,086
	<u>13,800,365</u>	<u>12,674,720</u>
Restricted investments (notes 4 and 9(d))	2,188,323	2,005,401
Capital assets (note 5)	4,650,299	4,513,359
Intangible asset - trademark (note 1(d))	1,413,751	1,413,751
	<u>\$ 22,052,738</u>	<u>\$ 20,607,231</u>

Liabilities and Fund Balances

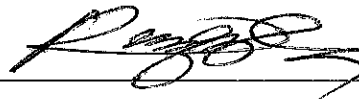
Current liabilities:		
Accounts payable and accrued charges (note 6)	\$ 6,679,656	\$ 6,317,270
Unexpended program grants and deferred revenue (note 7)	1,323,080	1,661,782
Government advances	60,000	59,197
	<u>8,062,736</u>	<u>8,038,249</u>
Deferred capital grants (note 8)	1,220,063	1,021,671
Fund balances:		
Invested in capital and intangible assets	4,843,987	4,905,439
Internally restricted funds:		
Capital Reserve (note 9(a))	787,795	637,795
Stabilization Reserve (note 9(b))	4,434,555	3,859,548
Ability and Beyond (note 9(c))	2,703,602	2,144,529
	<u>12,769,939</u>	<u>11,547,311</u>
Commitments and contingencies (note 13)		
	<u>\$ 22,052,738</u>	<u>\$ 20,607,231</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Director



Director

MARCH OF DIMES CANADA

Consolidated Statement of Revenue and Expenses

Year ended March 31, 2014, with comparative information 2013

	2014	2013
Revenue:		
Government and other grants	\$ 69,371,312	\$ 66,139,499
Fees and sales	12,846,737	11,758,862
Program recovery	8,705,542	7,883,985
Fundraising (note 10)	5,454,359	6,141,517
Investment and other	1,204,247	892,248
	<u>97,582,197</u>	<u>92,816,111</u>
Expenses (note 15):		
Programs:		
Independent Living Services	52,169,116	49,000,023
Employment Services	15,616,131	15,175,410
AccessAbility® Services	12,107,705	11,705,113
Passport Services	9,129,054	8,324,526
Peer Support Services and Conductive Education®	1,575,751	1,783,407
Community Engagement and Integration Services	1,285,535	488,620
Other services	405,336	487,638
	<u>92,288,628</u>	<u>86,964,737</u>
Fundraising (note 10)	2,173,676	2,097,080
Donor acquisition (note 10)	474,330	587,036
Administration	6,612,410	6,634,030
Administration recovery (note 15)	(5,864,120)	(5,570,852)
Amortization (note 5)	674,645	632,368
	<u>96,359,569</u>	<u>91,344,399</u>
Excess of revenue over expenses	<u>\$ 1,222,628</u>	<u>\$ 1,471,712</u>

See accompanying notes to consolidated financial statements.

MARCH OF DIMES CANADA

Consolidated Statement of Changes in Fund Balances

Year ended March 31, 2014, with comparative information 2013

	2014		2013				
	Invested in capital and intangible assets	Operating Fund	Internally restricted funds Capital Reserve	Ability and Beyond	Total	Total	
Fund balances, beginning of year	\$ 4,905,439	\$ --	\$ 637,795	\$ 3,859,548	\$ 2,144,529	\$ 11,547,311	\$ 10,075,599
Excess of revenue over expenses	(363,101)	1,585,729	--	--	--	1,222,628	1,471,712
Interfund transfers:							
Purchase of capital assets (note 5)	811,585	--	--	(811,585)	--	--	--
Deferred Capital Grants	(509,936)	--	--	509,936	--	--	--
Transfer to Capital Reserve	--	(150,000)	150,000	--	--	--	--
Transfer to Stabilization Reserve (note 9(a))	--	(876,656)	--	876,656	--	--	--
Transfer to Ability and Beyond (note 9(b))	--	(350,000)	--	--	350,000	--	--
Ability and Beyond excess of revenue over expenses (note 9(c))	--	(209,073)	--	--	209,073	--	--
(note 4 and 9(c))	301,649	(1,585,729)	150,000	575,007	559,073	--	--
Fund balances, end of year	\$ 4,843,987	\$ --	\$ 787,795	\$ 4,434,555	\$ 2,703,602	\$ 12,769,939	\$ 11,547,311

MARCH OF DIMES CANADA

Consolidated Statement of Cash Flows

Year ended March 31, 2014, with comparative information 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 1,222,628	\$ 1,471,712
Items not involving cash:		
Amortization	674,645	632,368
Amortization of deferred capital grants	(311,544)	(311,644)
Loss on disposal of capital assets	-	1,764
Net change in unrealized gain on restricted investments	(224,694)	(96,233)
Change in non-cash operating working capital:		
Short-term investments	1,571,222	(1,771,760)
Accounts receivable	(110,152)	(76,503)
Prepaid expenses	(7,030)	3,600
Grants and allocations receivable	93,606	(43,223)
Accounts payable and accrued charges	362,386	1,185,306
Unexpended program grants and deferred revenue	(338,702)	170,919
Government advances	803	(397,314)
	2,933,168	768,992
Financing activities:		
Receipt of deferred capital grants	509,936	472,530
Investing activities:		
Restricted investments	41,772	(517,008)
Purchase of capital assets	(811,585)	(655,868)
	(769,813)	(1,172,876)
Increase in cash and restricted cash	2,673,291	68,646
Cash and restricted cash, beginning of year	7,520,717	7,452,071
Cash and restricted cash, end of year	\$ 10,194,008	\$ 7,520,717
Represented by:		
Unrestricted	\$ 9,968,844	\$ 7,274,041
Restricted	225,164	246,676
	\$ 10,194,008	\$ 7,520,717

See accompanying notes to consolidated financial statements.

MARCH OF DIMES CANADA

Notes to Consolidated Financial Statements

Year ended March 31, 2014

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 is incorporated federally as March of Dimes Canada (MODC), OMOD no longer exists as a provincial entity and the former subsidiary, March of Dimes Canada, has been registered as March of Dimes Canada Foundation.

From 2001-2013, OMOD operated a federally registered subsidiary, Rehabilitation Foundation for Disabled Persons Canada, known as March of Dimes Canada since 2006. This entity enabled the organization to provide services for people with disabilities across Canada. The financial statements were consolidated and presented each year within one annual report. In 2012, OMOD applied for continuance under the new Canada Not-for-Profit Corporations Act and received full approval in May 2013. The Board approved the consolidation of all current operations in the new federal entity, now known as March of Dimes Canada (MODC) and the original national subsidiary is now March of Dimes Canada Foundation, which is incorporated to hold assets, fundraise and operate services, the specifics of which have not yet been determined. The year 2013-2014 was a transition year to one federally registered operating entity, thus these are the first financial statements of the new MODC, including MODC Foundation.

Other associated organizations are outlined in note 3 and are not included in the consolidated financial statements.

MODC is a registered charitable organization and, as such, is exempt from income taxes provided that certain disbursement criteria are met.

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, Discovery®, CanVet Rehabilitation services, placement services.

MARCH OF DIMES CANADA

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

- (c) AccessAbility® Services - to provide assistive technologies, modifications to enhance independence and mobility services include Home and Vehicle Modifications program, Assistive Devices Program, Barrier-Free Design Consultation.
- (d) Passport Services - to facilitate the payment of grants provided by the Ministry of Community and Social Services to people with intellectual disabilities in the Ottawa region, MODC provides administrative services and program support.
- (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) Other Services – to address issues within government that affect the wellbeing and inclusion of people with disabilities and to recognize the scientific advances made to address disabling conditions, we have Issue Advocacy and Information Services and our Research Grants and Awards programs. Additionally, MODC operates or partners with other organizations for the purpose of promoting accessibility and generating revenue including AccessAbility Advantage® and Administrative Services.

MARCH OF DIMES CANADA

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

1. 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 an accrual basis and are deferred until earned. Government grants relating to capital assets are deferred in an amount equal to the undepreciated 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.

MARCH OF DIMES CANADA

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

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 indicator 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 or 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 will be reversed to the extent of the improvement, not exceeding the initial carrying value.

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, grants and allocations receivable, accounts payable and accrued charges and government advances approximate 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 risks arising from financial instruments.

MARCH OF DIMES CANADA

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Land associated with the 10 Overlea Boulevard 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. In cases where undiscounted expected future cash flows are less than the carrying value of the asset, an impairment loss is recognized equal to the amount by which the carrying value of the asset exceeds the fair value of the asset.

MARCH OF DIMES CANADA

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(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.

(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 include all direct costs including staff, materials and occupancy.

(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 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.

2. Accounts receivable:

	2014	2013
Trade	\$ 1,193,882	\$ 1,186,413
Fundraising and United Way	95,554	148,012
Harmonized Sales Tax	286,172	148,918
Other	1,547,287	1,529,400
Allowance for doubtful accounts	(25,000)	(25,000)
	<u>\$ 3,097,895</u>	<u>\$ 2,987,743</u>

MARCH OF DIMES CANADA

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

2. Accounts receivable (continued):

Included in trade accounts receivable is \$72,481 (2013 - \$12,070) in fees for services performed that have not yet been billed to customers. Billings are rendered at defined intervals as per the terms of each contract. Trade accounts receivable also include \$405,093 (2013 - \$623,217) of receivables for Employment Services support provided under contract with Veterans Affairs Canada.

3. Associated 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 applied for and received continuance approval under the Canada Not-for-Profit Corporations Act in May 2013. It was provincially registered and formerly known as Ontario March of Dimes Non-Profit Housing Corporation.

NPHC was incorporated by MODC on June 2, 1992. 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 regulated by the guidelines established by the Regional Municipality of Halton, its major funder.

MODC provides funds from time to time to cover costs of NPHC for which there is full recovery and charges management fees to several properties. In 2010, NPHC signed a promissory note for a loan of \$251,000 to acquire land and a building in Sudbury and this is repayable on demand. The terms of repayment are monthly with interest at prime plus 1% (\$833 per month). The amount owing by NPHC to MODC as at March 31, 2014 is \$277,079 (2013 - \$230,396), which is included in accounts receivable.

MARCH OF DIMES CANADA

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

3. Associated organizations (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:

	2014	2013
Current assets	\$ 870,658	\$ 785,357
Capital assets	8,718,463	9,090,913
Total assets	\$ 9,589,121	\$ 9,876,270
Current liabilities	\$ 646,906	\$ 556,586
Mortgage payable	5,279,794	5,517,965
Deferred capital contributions	3,089,404	3,174,742
	9,016,104	9,249,293
Fund balances	573,017	626,977
Total liabilities and fund balances	\$ 9,589,121	\$ 9,876,270

	2014	2013
Revenue	\$ 1,354,677	\$ 1,347,139
Expenses, including amortization of \$375,334 (2013 - \$364,841)	1,442,574	1,334,610
Excess of revenue over expenses (expenses over revenue)	\$ (87,897)	\$ 12,529
Cash flows provided by (used in):		
Operating activities	\$ 192,970	\$ 204,351
Financing activities	(144,446)	(152,581)
Investing activities	26,240	25,412
Net cash inflow (outflow)	\$ 74,764	\$ 77,182

MARCH OF DIMES CANADA

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

3. Associated organizations (continued):

(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.

4. Restricted investments:

	2014		2013	
	Cost	Fair value	Cost	Fair value
Pooled funds	\$ 1,736,924	\$ 2,188,323	\$ 1,778,696	\$ 2,005,401

The unrealized gain on restricted investments is \$451,398 (2013 - \$226,705).

The change in unrealized gain on restricted investments is \$224,694 for the year ended March 31, 2014 (2013 - \$96,233) and is recorded in investment and other revenue in the consolidated statement of revenue and expenses. It is transferred from the Operating Fund to the Ability and Beyond Funds (note 9(c)) each year as these are the funds invested.

5. Capital assets:

	2014		2013	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,901,383	\$ -	\$ 1,901,383	\$ 1,901,383
Buildings	2,100,867	1,269,767	831,100	620,957
Vehicles	483,633	391,185	92,448	119,245
Machinery, equipment computer hardware and software	14,597,367	12,996,882	1,600,485	1,379,376
Leasehold improvements	3,260,351	3,035,468	224,883	492,398
	\$ 22,343,601	\$ 17,693,302	\$ 4,650,299	\$ 4,513,359

MARCH OF DIMES CANADA

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

5. Capital assets (continued):

The total cost of capital assets acquired during the year was \$811,585 (2013 - \$655,868), and was partially financed by operating grants of \$509,936 (2013 - \$472,530).

Amortization expense related to donor dollar funded programs totalled \$363,101 (2013 - \$320,724).

Amortization expense relating to grant funded programs totalled \$311,544 (2013 - \$311,644).

6. Accounts payable and accrued charges:

Included in accounts payable and accrued charges are government remittances payable of \$611,379 (2013 - \$610,548), which includes amounts payable for payroll related taxes.

7. Unexpended program grants and deferred revenue:

MODC receives funds from government and other funding sources where 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 receives the appropriate approval.

MODC received several designated gifts from donor estates. Deferred revenue includes contributions from these estates (estate of Peter Collins in support of MODC programs in the Thunder Bay area of \$272,995 (2013 - \$160,872) and estate of John Haas for Assistive Devices of \$260,000 (2013 - nil). The contribution is deferred until such time as it is spent as designated by the donor (note 9(c)).

MARCH OF DIMES CANADA

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

8. Deferred capital grants:

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

	2014	2013
Balance, beginning of year	\$ 1,021,671	\$ 860,785
Amounts received	509,936	472,530
Amounts amortized to revenue	(311,544)	(311,644)
Balance, end of year	\$ 1,220,063	\$ 1,021,671

9. Internally restricted funds:

(a) Capital Reserve Fund:

In fiscal 2004, the Board established a separate Capital Reserve to build a cash reserve for future major capital needs at 10 Overlea Blvd., such as roof replacement, etc. The Board allocates funds at the end of each year. Since 2007 this amount has been a minimum of \$25,000. The Board reviews the year-end balance each year and has, from time to time, made further allocations. An allocation of \$150,000 for 2013-2014 has been approved by the Board (2013 - \$75,000).

(b) Stabilization Reserve Fund:

MODC established a Stabilization Reserve policy to address both 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 policy approved by the Board in 2014 amended the policy from three months to an inclusive range of three to six months of operating expense minus the amount covered by government grant commitments. The current maximum level should thus be \$6,603,906 and the organization has not yet achieved the target. The Board allocates funds at the end of each fiscal year.

MARCH OF DIMES CANADA

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

9. Internally restricted funds (continued):

(c) Ability and Beyond Funds:

The Board has internally restricted these funds and refers to them cumulatively as the Ability and Beyond Funds. It is intended that only the revenue earned on the fund balances will be used to fund designated activities, except where approved by MODC's Board.

(i) Paul Martin Senior Research Fund:

Over 20 years ago, MODC established a Paul Martin Senior Biomedical and Rehabilitation Research Fund. This fund has been established to contribute to significant research that aims to alleviate, prevent or treat a disabling condition. In 2013-2014, the Board allocated \$100,000 (2013 - \$100,000) to this fund.

(ii) Dr. Ed and Bobbie Yielding Fund:

In 2012-2013, the Board added one other fund to the internally restricted Ability and Beyond Funds, in compliance with a bequest of \$202,604 and the Dr. Ed and Bobbie Yielding Fund for Stroke Recovery.

(iii) 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 2013-2014, the Board allocated \$100,000 (2013 - \$300,000) to this fund.

MARCH OF DIMES CANADA

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

9. Internally restricted funds (continued):

Details of the Ability and Beyond Funds balance are as follows:

	2014	2013
Balance, beginning of year	\$ 2,144,529	\$ 1,392,160
Donations	–	215,816
Investment income	58,229	40,320
Expenses, including grants and awards	(73,850)	–
Net change in unrealized gain (loss) on restricted investments (note 4)	224,694	96,233
Transfer to Paul Martin Senior Research Fund	100,000	100,000
Transfer to Sydney Cope Recreation Fund	150,000	–
Transfer to Program Development and Evaluation Reserve Fund	100,000	300,000
Balance, end of year	\$ 2,703,602	\$ 2,144,529

An amount of \$2,976,597 (2013 - \$2,305,401) has been invested in pooled funds and bank term deposits, represented by:

	2014	2013
Ability and Beyond Funds	\$ 2,703,602	\$ 2,144,529
Peter Collins deferred contribution (note 7)	272,995	160,872
	\$ 2,976,597	\$ 2,305,401

MARCH OF DIMES CANADA

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

10. Fundraising and Charitable Gaming revenue and expenses:

MODC derives fundraising revenue mainly from community campaigns, direct mail, corporate gifts, special events, monthly donations and charitable gaming. Donor acquisition represents the cost of acquiring direct mail donors, planned giving donors and telemarketing for new donors, and costs relating to start-up activities.

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 as follows:

	2014	2013
Revenue	\$ 361,313	\$ 416,245
Expenses:		
Cost of tickets sold	46,671	53,629
Commissions:		
Retailer	68,407	79,190
Agent	42,217	48,653
License	21,496	24,660
Provincial government fees	47,726	55,179
	226,517	261,311
	\$ 134,796	\$ 154,934

MARCH OF DIMES CANADA

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

11. 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	Receivable (payable)
London:						
Home and vehicle modification program support	8618	\$ 1,382,400	\$ 1,382,400	\$ --	\$ 1,382,400	\$ --
Home and vehicle modification program services	8621	9,495,700	9,495,700	--	9,495,700	--
		10,878,100	10,878,100	--	10,878,100	--
Ottawa:						
Passport initiative	8883	9,241,156	9,241,156	--	9,241,156	--
Thunder Bay:						
Rehabilitation services	8868	229,001	229,001	--	229,001	--
Niagara:						
PET Program	8868	147,613	147,613	--	147,613	--
Kingston:						
School aged contract	8868	15,506	15,506	--	15,506	--
Thunder Bay:						
WITS program	8612	66,300	66,300	--	66,300	--
		9,699,576	9,699,576	--	9,699,576	--
		\$ 20,577,676	\$ 20,577,676	\$ --	\$ 20,577,676	\$ --

12. 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. At March 31, 2014, no amount has been drawn from this facility (2013 - nil).

MARCH OF DIMES CANADA

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

13. Commitments and contingencies:

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
2015	\$ 104,000	\$ 2,376,000	\$ 2,480,000
2016	77,000	896,000	973,000
2017	47,000	345,000	392,000
2018	11,000	125,000	136,000
2019	–	125,000	125,000
Thereafter	–	330,000	330,000
	<u>\$ 239,000</u>	<u>\$ 4,197,000</u>	<u>\$ 4,436,000</u>

14. 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, 2014, MODC incurred \$910,714 (2013 - \$895,026) as its pension contribution expense.

15. Allocation of expenses:

Administration expenses of \$5,864,120 (2013 - \$5,570,852) have been allocated as follows:

	2014	2013
Independent Living Services	\$ 5,237,687	\$ 4,981,121
Employment Services	428,512	389,811
AccessAbility® Services	138,240	138,240
Passport Services	59,681	61,680
	<u>\$ 5,864,120</u>	<u>\$ 5,570,852</u>

MARCH OF DIMES CANADA

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

16. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.