

Consolidated Financial Statements of

MARCH OF DIMES CANADA

Year ended March 31, 2015



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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, 2015, 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.



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Basis for Qualified Opinion

In common with many charitable organizations, March of Dimes Canada derives revenue from fundraising activities, 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 years ended March 31, 2015 and March 31, 2014, any adjustments might be necessary to fundraising revenue and excess of revenue over expenses reported in the consolidated statements of revenue and expenses, excess of revenue over expenses reported in the consolidated statements of cash flows and current assets and internally restricted funds reported in the consolidated balance sheets. This caused us to qualify our audit opinion on the consolidated financial statements as at and for the year ended March 31, 2014.

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, 2015, 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 28, 2015
Toronto, Canada

MARCH OF DIMES CANADA

Consolidated Balance Sheet

March 31, 2015, with comparative information 2014

	2015	2014
Assets		
Current assets:		
Cash and restricted cash	\$ 12,813,102	\$ 10,194,008
Short-term investments	–	200,538
Accounts receivable (notes 2 and 3)	3,338,049	3,097,895
Prepaid expenses	814,377	257,444
Grants and allocations receivable	269,333	50,480
	<u>17,234,861</u>	<u>13,800,365</u>
Restricted investments (note 4)	2,281,701	2,188,323
Capital assets (note 5)	4,570,779	4,650,299
Intangible asset - trademark (note 1(d))	1,413,751	1,413,751
	<u>\$ 25,501,092</u>	<u>\$ 22,052,738</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued charges (note 6)	\$ 7,595,431	\$ 6,679,656
Unexpended program grants and deferred revenue (note 7)	1,704,441	1,323,080
Government advances	648,387	60,000
	<u>9,948,259</u>	<u>8,062,736</u>
Deferred capital grants (note 8)	1,230,141	1,220,063
Fund balances:		
Invested in capital and intangible assets	4,754,389	4,843,987
Internally restricted funds:		
Capital Reserve (note 9(a))	1,087,795	787,795
Stabilization Reserve (note 9(b))	5,086,905	4,434,555
Major IT Capital Reserve (note 9(c))	400,000	–
Ability and Beyond (note 9(d))	2,993,603	2,703,602
	<u>14,322,692</u>	<u>12,769,939</u>
Commitments and contingencies (note 13)		
	<u>\$ 25,501,092</u>	<u>\$ 22,052,738</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, 2015, with comparative information 2014

	2015	2014
Revenue:		
Government and other grants	\$ 75,930,172	\$ 69,371,312
Fees and sales	14,561,245	12,846,737
Program recovery	10,984,345	8,705,542
Fundraising (note 10)	5,898,296	5,454,359
Investment and other	1,160,782	1,204,247
	<u>108,534,840</u>	<u>97,582,197</u>
Expenses (note 15):		
Programs:		
Independent Living Services	57,033,412	52,169,116
Employment Services	18,280,391	15,616,131
AccessAbility® Services	11,899,201	12,107,705
Passport Services	11,753,874	9,129,054
Peer Support Services and Conductive Education®	1,633,094	1,575,751
Community Engagement and Integration Services	1,002,321	1,285,535
Other services	921,793	405,336
	<u>102,524,086</u>	<u>92,288,628</u>
Fundraising (note 10)	2,264,388	2,173,676
Donor acquisition (note 10)	678,250	474,330
Administration	6,947,557	6,612,410
Administration recovery (note 15)	(6,010,581)	(5,864,120)
Amortization (note 5)	578,387	674,645
	<u>106,982,087</u>	<u>96,359,569</u>
Excess of revenue over expenses	<u>\$ 1,552,753</u>	<u>\$ 1,222,628</u>

See accompanying notes to consolidated financial statements.

MARCH OF DIMES CANADA

Consolidated Statement of Changes in Fund Balances

Year ended March 31, 2015, with comparative information 2014

							2015	2014
	Invested in capital and intangible assets	Operating Fund	Internally restricted funds				Total	Total
			Capital Reserve	Stabilization Reserve	Major IT Capital Reserve	Ability and Beyond		
Fund balances, beginning of year	\$ 4,843,987	\$ –	\$ 787,795	\$ 4,434,555	\$ –	\$ 2,703,602	\$ 12,769,939	\$ 11,547,311
Excess of revenue over expenses	(376,020)	1,928,773	–	–	–	–	1,552,753	1,222,628
Interfund transfers:								
Purchase of capital assets (note 5)	498,867	–	–	(498,867)	–	–	–	–
Deferred Capital Grants	(212,445)	–	–	212,445	–	–	–	–
Transfer to Capital Reserve (note 9(a))	–	(300,000)	300,000	–	–	–	–	–
Transfer to Stabilization Reserve (note 9(b))	–	(938,772)	–	938,772	–	–	–	–
Transfer to Major IT Capital Reserve (note 9(c))	–	(400,000)	–	–	400,000	–	–	–
Transfer to Ability and Beyond (note 9(d))	–	(660,000)	–	–	–	660,000	–	–
Ability and Beyond excess of revenue over expenses (notes 4 and 9(d))	–	369,999	–	–	–	(369,999)	–	–
	286,422	(1,928,773)	300,000	652,350	400,000	290,001	–	–
Fund balances, end of year	\$ 4,754,389	\$ –	\$ 1,087,795	\$ 5,086,905	\$ 400,000	\$ 2,993,603	\$ 14,322,692	\$ 12,769,939

See accompanying notes to consolidated financial statements.

MARCH OF DIMES CANADA

Consolidated Statement of Cash Flows

Year ended March 31, 2015, with comparative information 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 1,552,753	\$ 1,222,628
Items not involving cash:		
Amortization	578,387	674,645
Amortization of deferred capital grants	(202,367)	(311,544)
Net change in unrealized gain on restricted investments	(12,643)	(224,694)
Change in non-cash operating working capital:		
Short-term investments	200,538	1,571,222
Accounts receivable	(240,154)	(110,152)
Prepaid expenses	(556,933)	(7,030)
Grants and allocations receivable	(218,853)	93,606
Accounts payable and accrued charges	915,775	362,386
Unexpended program grants and deferred revenue	381,361	(338,702)
Government advances	588,387	803
	2,986,251	2,933,168
Financing activities:		
Receipt of deferred capital grants	212,445	509,936
Investing activities:		
Restricted investments	(80,735)	41,772
Purchase of capital assets	(498,867)	(811,585)
	(579,602)	(769,813)
Increase in cash and restricted cash	2,619,094	2,673,291
Cash and restricted cash, beginning of year	10,194,008	7,520,717
Cash and restricted cash, end of year	\$ 12,813,102	\$ 10,194,008
Represented by:		
Unrestricted	\$ 12,606,767	\$ 9,968,844
Restricted	206,335	225,164
	\$ 12,813,102	\$ 10,194,008

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

Year ended March 31, 2015

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. All operations are carried out by MODC and March of Dimes Canada Foundation remains inactive.

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 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.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

- (d) Passport Services - to deliver grants provided by the Ministry of Community and Social Services to people with intellectual disabilities for a variety of services. MODC has the contract for the Ottawa region.
- (e) Peer Support and Conductive Education© - to assist people who have experienced a stroke or post-polio syndrome to find psychosocial support and re-integrate into the community. MODC offers peer groups, educational information, skill building programs and various conferences and retreats, and through Conductive Education services MODC offers people who have had a stroke or other neuromuscular impairment an innovative intervention based on learning theory. The Conductive Education© program promotes physical literacy, as well as confidence and independence.
- (f) Community Engagement and Integration Services - to enhance the quality of life of adults with physical disabilities through recreation, leisure and social integration, an array of services are provided including BeFriending©, Life skills and Transition Services, ModMobility©, DesignAbility©, Recreation and Travel Services.
- (g) Other Services:
 - (i) Government Relations, Advocacy and Information Services - to address issues within government that affect the wellbeing and inclusion of people with disabilities and to provide access to information about disability, services and rehabilitation.
 - (ii) Business Services - MODC has partnered with Quadrangle Architects to provide AODA consulting services under a joint venture called AccessAbility Advantage©. Other services include Mediation, Payroll, Training, eSSENTIAL Accessibility (delivering an accessible browser technology) and from time to time other administrative services.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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 unamortized cost of the related capital assets.

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

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

Investment income is recognized as earned.

(b) Financial instruments:

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

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

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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 risk arising from financial instruments.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(c) Capital assets:

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

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

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

(d) Intangible asset:

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

Management reviews the carrying value of the indefinite life intangible asset for impairment, at least annually, whenever events and circumstances indicate that the carrying value of the asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. 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.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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:

	2015	2014
Trade (note 3(a))	\$ 1,010,613	\$ 1,193,882
Fundraising and United Way	53,008	95,554
Harmonized Sales Tax	238,522	286,172
Other	2,060,906	1,547,287
Allowance for doubtful accounts	(25,000)	(25,000)
	<hr/>	<hr/>
	\$ 3,338,049	\$ 3,097,895

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

2. Accounts receivable (continued):

Included in trade accounts receivable is \$77,107 (2014 - \$72,481) 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 \$420,022 (2014 - \$405,093) 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, 2015 is \$255,344 (2014 - \$277,079), which is included in accounts receivable.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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:

	2015	2014
Current assets	\$ 1,546,883	\$ 870,658
Capital assets	8,371,864	8,718,463
Total assets	\$ 9,918,747	\$ 9,589,121
Current liabilities	\$ 715,949	\$ 646,906
Mortgage payable	5,030,329	5,279,794
Deferred capital contributions	2,918,375	3,089,404
	8,664,653	9,016,104
Fund balances	1,254,094	573,017
Total liabilities and fund balances	\$ 9,918,747	\$ 9,589,121
	2015	2014
Revenue	\$ 2,363,647	\$ 1,354,677
Expenses, including amortization of \$387,601 (2014 - \$375,334)	1,670,602	1,442,574
Excess of revenue over expenses (expenses over revenue)	\$ 693,045	\$ (87,897)
Cash flows provided by (used in):		
Operating activities	\$ 243,313	\$ 192,970
Financing activities	(174,585)	(144,446)
Investing activities	(69,895)	26,240
Net cash inflow (outflow)	\$ (1,167)	\$ 74,764

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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:

	2015		2014	
	Cost	Fair value	Cost	Fair value
Pooled funds	\$ 1,817,659	\$ 2,281,701	\$ 1,736,924	\$ 2,188,323

The unrealized gain on restricted investments is \$464,042 (2014 - \$451,399).

The change in unrealized gain on restricted investments is \$12,643 for the year ended March 31, 2015 (2014 - \$224,694) 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(d)) each year as these are the funds invested.

5. Capital assets:

	2015		2014	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,901,383	\$ –	\$ 1,901,383	\$ 1,901,383
Buildings	2,119,130	1,315,864	803,266	831,100
Vehicles	483,633	417,981	65,652	92,448
Machinery, equipment computer hardware and software	15,071,315	13,489,123	1,582,192	1,600,485
Leasehold improvements	3,267,006	3,048,720	218,286	224,883
	\$ 22,842,467	\$ 18,271,688	\$ 4,570,779	\$ 4,650,299

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

5. Capital assets (continued):

The total cost of capital assets acquired during the year was \$498,867 (2014 - \$811,585), and was partially financed by operating grants of \$212,445 (2014 - \$509,936).

Amortization expense related to donor dollar funded programs totalled \$376,020 (2014 - \$363,101).

Amortization expense relating to grant funded programs totalled \$202,367 (2014 - \$311,544).

6. Accounts payable and accrued charges:

Included in accounts payable and accrued charges are government remittances payable of \$1,223,887 (2014 - \$611,379), 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 the estate of Peter Collins in support of MODC programs in the Thunder Bay area of \$247,995 (2014 - \$272,995) and the estate of John Haas for Assistive Devices of \$238,000 (2014 - \$260,000) (note 9(d)). The contributions are deferred until such time as it is spent as designated by the donor.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

8. Deferred capital grants:

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

	2015	2014
Balance, beginning of year	\$ 1,220,063	\$ 1,021,671
Amounts received	212,445	509,936
Amounts amortized to revenue	(202,367)	(311,544)
Balance, end of year	\$ 1,230,141	\$ 1,220,063

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 Boulevard, Toronto, 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 \$300,000 for 2014-2015 has been approved by the Board (2014 - \$150,000).

(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 \$6,916,470 and the organization has not yet achieved the target. The Board allocates funds at the end of each fiscal year based on available surplus revenue.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

9. Internally restricted funds (continued):

(c) Major IT Capital Reserve:

In 2014-2015, the Board established a separate Major IT Capital Reserve to build a cash reserve for future major IT software and hardware upgrades and or replacements. The Board allocated \$400,000 with a goal to build the reserve up to \$1 million over the next five years.

(d) 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 Biomedical and Rehabilitation Research Fund:

Over 20 years ago, MODC established this fund to contribute to significant research that aims to alleviate, prevent or treat a disabling condition.

In 2014-2015, MODC entered into a partnership with the University of Toronto and established the March of Dimes Paul J.J. Martin Early Career Professorship with a total commitment of \$1.5 million over six years (note 13(b)). In December 2014, the first payment of \$500,000 was made. In 2014-2015, the Board allocated \$100,000 (2014 - \$100,000) to this fund.

(ii) Dr. Ed and Bobbie Yielding Fund:

In 2012-2013, the Board added this fund to the internally restricted Ability and Beyond Funds, in memory of Dr. Ed and Bobbie Yielding, who left a significant bequest and had expressed an interest in Stroke Recovery.

(iii) Sydney Cope Recreation Fund:

In 1996, the Board established this fund to support recreation programs and in 2014 a 20 passenger bus was purchased for recreational programs and out trips. This bus is part of the fleet for MODMobility®. In 2014-2015, the Board allocated \$100,000 (2014 - \$150,000).

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

9. Internally restricted funds (continued):

(iv) Program Development and Evaluation Reserve Fund:

This fund has been established to engage expertise to conduct methodologically and ethically sound evaluations on program results, as well as customer needs and satisfaction surveys with a focus on developing national initiatives that can become self-sustaining. In 2014-2015, the Board allocated \$200,000 (2014 - \$100,000) to this fund.

(v) Dr. Maxwell and Elizabeth Yan Fund for Conductive Education:

In 1989, the Board established this fund to provide academic awards to students who wish to pursue a degree in Conductive Education and the professional qualification of Conductor. In 2014-2015, the Board allocated \$110,000 (2014 - nil) to this fund.

(vi) John Haas Fund for Assistive Technology:

In 2012, a significant externally restricted bequest was received to provide for special allocations for assistive technology, which is included in deferred revenue.

In 2014-2015, the Board determined that the externally restricted fund should be extended to provide more services. In 2014-2015, the Board allocated \$150,000 (2014 - nil) as internally restricted; however, maintaining the original donor's name.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

9. Internally restricted funds (continued):

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

	2015	2014
Balance, beginning of year	\$ 2,703,602	\$ 2,144,529
Donations	4,894	–
Investment income	215,716	58,229
Expenses, including grants and awards	(603,252)	(73,850)
Net change in unrealized gain on restricted investments (note 4)	12,643	224,694
Transfer to Paul Martin Senior Biomedical and Rehabilitation Research Fund	100,000	100,000
Transfer to Sydney Cope Recreation Fund	100,000	150,000
Transfer to Program Development and Evaluation Reserve Fund	200,000	100,000
Transfer to Dr. Maxwell and Elizabeth Yan Fund for Conductive Education	110,000	–
Transfer to John Haas Fund for Assistive Technology	150,000	–
Balance, end of year	\$ 2,993,603	\$ 2,703,602

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.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

10. Fundraising and charitable gaming revenue and expenses (continued):

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:

	2015	2014
Revenue	\$ 351,240	\$ 361,313
Expenses:		
Cost of tickets sold	45,304	46,671
Commissions:		
Retailer	66,817	68,407
Agent	41,055	42,217
License	20,832	21,496
Provincial government fees	46,447	47,726
	220,455	226,517
	\$ 130,785	\$ 134,796

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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	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	-
		10,628,100	10,628,100	-	10,628,100	-
Ottawa:						
Passport Initiative	8883	11,868,137	11,868,137	-	11,846,554	21,583
Thunder Bay:						
Rehabilitation services	8868	203,500	203,500	-	203,500	-
Niagara:						
PET program	8868	150,114	150,114	-	150,114	-
Kingston:						
School aged contract	8868	15,706	15,706	-	15,706	-
Thunder Bay:						
WITS program	8612	59,880	59,880	-	59,880	-
London:						
Employment Supports Special Funding	8612	3,450	3,450	-	5,020	(1,570)
Niagara:						
Employment Supports Special funding	8612	190	190	-	6,000	(5,810)
Hamilton:						
Employment Supports Special Funding	8612	8,398	8,398	-	14,500	(6,102)
Toronto:						
Employment Supports Special Funding	8612	2,983	2,983	-	22,880	(19,897)
West Central:						
Employment Supports Special Funding	8612	1,041	1,041	-	1,041	-
Ottawa:						
Employment Supports Special Funding	8612	6,087	6,087	-	3,300	2,787
Kingston:						
Employment Supports Special Funding	8612	1,010	1,010	-	1,010	-
Sudbury:						
Employment Supports Special Funding	8612	1,167	1,167	-	9,000	(7,833)
Sault Ste Marie:						
Employment Supports Special Funding	8612	500	500	-	500	-
North Bay:						
Employment Supports Special Funding	8612	373	373	-	817	(444)
Thunder Bay:						
Employment Supports Special Funding	8612	17,400	17,400	-	17,400	-
		12,339,936	12,339,936	-	12,357,222	(17,286)
		\$ 22,968,036	\$ 22,968,036	\$ -	\$ 22,985,322	\$ (17,286)

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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, 2015, no amount has been drawn from this facility (2014 - nil).

13. Commitments and contingencies:

(a) Operating:

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

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

	Equipment	Premises	Total
2016	\$ 107,909	\$ 2,518,890	\$ 2,626,799
2017	79,654	1,266,326	1,345,980
2018	43,573	848,838	892,411
2019	17,426	727,627	745,053
2020	687	484,028	484,715
Thereafter	—	865,000	865,000
	<u>\$ 249,249</u>	<u>\$ 6,710,709</u>	<u>\$ 6,959,958</u>

MARCH OF DIMES CANADA

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

13. Commitments and contingencies (continued):

(b) University of Toronto pledge:

MODC pledged a total of \$1.5 million to the University of Toronto's "Department of Occupational Science and Occupational Therapy", in the Faculty of Medicine, in support of an Early Career Professorship in community integration following acquired brain injury. The future minimum and annual pledge payments are as follows:

2016	\$	500,000
2017		100,000
2018		100,000
2019		100,000
2020		100,000
Thereafter		100,000
	\$	1,000,000

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, 2015, MODC incurred \$983,511 (2014 - \$910,714) as its pension contribution expense.

15. Allocation of expenses:

Administration expenses of \$6,010,581 (2014 - \$5,864,120) have been allocated as follows:

	2015	2014
Independent Living Services	\$ 5,483,248	\$ 5,237,687
Employment Services	287,325	428,512
AccessAbility® Services	138,240	138,240
Passport Services	101,768	59,681
	\$ 6,010,581	\$ 5,864,120