



Financial Statements

Disabled and Aged Regional Transit System

December 31, 2014

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Independent Auditor's Report

Grant Thornton LLP
33 Main Street East
Hamilton, ON
L8N 4K5

T +1 905 523 7732
F +1 905 572 9333
www.GrantThornton.ca

To the Board of Directors of
Disabled and Aged Regional Transit System

We have audited the accompanying financial statements of Disabled and Aged Regional Transit System, which comprise the statement of financial position as at December 31, 2014, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independent Auditor's Report (continued)

Basis for Qualified Opinion

In order to match the funding requirements of the City of Hamilton, the organization records property and equipment acquisitions as expenses in the year of purchase, except for contributed property and equipment, which is capitalized and amortized over its useful life and records capital leases for property and equipment as operating leases, which are departures from Canadian accounting standards for not-for-profit organizations. Had the organization recorded the property and equipment and capital leased assets at their cost and amortized them over their estimated useful lives and recorded the capital leases correctly, additional property and equipment would be recorded for \$275,000 (2013 - \$232,000) and additional accumulated amortization would be recorded for \$181,000 (2013 - \$154,000). Administration expense would be decreased by \$43,000 (2013 - \$75,000) and additional amortization expense would be recorded for \$27,000 (2013 - \$15,000) resulting in an additional \$16,000 (2013 - \$60,000) of excess of revenue over expenses for the year. Surplus - beginning of year would be increased by \$78,000 (2013 - \$18,000) and surplus - end of year would be increased by \$94,000 (2013 - \$78,000).

Further, to match the funding requirements of the City of Hamilton, the organization records liabilities under insurance claims as they are paid, which is a departure from Canadian accounting standards for not-for-profit organization. Had the organization accrued the liabilities under insurance claims, additional accounts payable and accrued liabilities would be recorded for \$254,000 (2013 - \$229,000). Administration expense would be increased by \$25,000 (2013 - \$110,000) resulting in an additional \$25,000 (2013 - \$110,000) being shown as an excess (deficiency) of revenue over expenses for the year. Surplus - beginning of year would be decreased by \$229,000 (2013 - \$119,000) and surplus - end of year would be decreased by \$254,000 (2013 - \$229,000).

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2014 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.

Grant Thornton LLP

Hamilton, Canada
May 26, 2015

Chartered Accountants
Licensed Public Accountants

Disabled and Aged Regional Transit System Statement of Operations

Year ended December 31	2014	2013
Revenue		
City of Hamilton grants	\$ 14,690,561	\$ 12,684,431
Amortization of deferred contribution	1,961,129	1,744,115
Passenger fares	674,440	986,794
Other	4,254	9,530
	<u>17,330,384</u>	<u>15,424,870</u>
Expenses		
Wages and benefits	9,201,030	8,556,661
Vehicle	2,879,146	2,302,558
Purchase of services	2,780,394	2,226,993
Amortization	1,961,129	1,744,115
Administration	256,012	299,577
Premises	160,000	160,275
Professional fees	92,673	134,691
	<u>17,330,384</u>	<u>15,424,870</u>
Excess of revenue over expenses for the year	<u>\$ -</u>	<u>\$ -</u>

Disabled and Aged Regional Transit System **Statement of Financial Position**

December 31	2014	2013
Assets		
Current		
Cash	\$ 1,301,325	\$ 1,670,202
Accounts receivable	524,321	816,151
Due from the City of Hamilton (Note 7)	<u>904,521</u>	<u>225,993</u>
	2,730,167	2,712,346
Property and equipment (Note 3)	<u>4,590,251</u>	<u>6,623,847</u>
	<u>\$ 7,320,418</u>	<u>\$ 9,336,193</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 807,877	\$ 849,644
Government remittances payable	35,223	17,751
Deferred revenue	<u>1,887,067</u>	<u>1,844,951</u>
	2,730,167	2,712,346
Deferred contribution (Note 4)	<u>4,590,251</u>	<u>6,623,847</u>
	7,320,418	9,336,193
Fund balances		
Surplus	<u>-</u>	<u>-</u>
	<u>\$ 7,320,418</u>	<u>\$ 9,336,193</u>

Commitments (Note 5)

On behalf of the board

Director

Director

Disabled and Aged Regional Transit System Statement of Cash Flows

Year ended December 31	2014	2013
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenue over expenses	\$ -	\$ -
Amortization	1,961,129	1,744,115
Amortization of deferred contribution	(1,961,129)	(1,744,115)
	-	-
Change in non-cash working capital items		
Accounts receivable	291,830	(217,267)
Accounts payable and accrued liabilities	(41,767)	185,820
Government remittances payable	17,472	(16,764)
Deferred revenue	42,116	259,747
Due from the City of Hamilton	(678,528)	(175,066)
(Decrease) increase in cash	(368,877)	36,470
Cash		
Beginning of year	1,670,202	1,633,732
End of year	\$ 1,301,325	\$ 1,670,202

Disabled and Aged Regional Transit System

Notes to the Financial Statements

December 31, 2014

1. Nature of operations

Disabled and Aged Regional Transit System was established to transport disabled and aged persons in the City of Hamilton. It is incorporated by Letters Patent as a corporation without share capital under the laws of the Province of Ontario and is a registered charity under the Income Tax Act.

2. Significant accounting policies

With the exception of not capitalizing and amortizing property and equipment and recording capital leases as operating leases and recording liabilities under insurance claims as they are paid, the organization follows Canadian accounting standards for not-for-profit organizations in preparing its financial statements. The significant accounting policies used are as follows:

Financial instruments

Measurement

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

Financial assets or liabilities obtained in related party transactions that are with a person or entity whose sole relationship with the organization is in the capacity of management are accounted for in accordance with financial instruments.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets and financial liabilities measured at amortized cost include cash, accounts receivable, and accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in income.

Disabled and Aged Regional Transit System

Notes to the Financial Statements

December 31, 2014

2. Significant accounting policies (continued)

Property and equipment

Contributed vehicles and equipment and matching deferred contributions are recorded at fair market value at the date of the contribution. Amortization of contributed vehicles and equipment and the matching deferred contribution is recorded using the straight line method at the following annual rates over the estimated useful lives of the related assets:

Contributed vehicles	6 years Straight-line
Contributed equipment	5 years Straight-line

The estimated useful lives of assets are reviewed by management and adjusted if necessary.

The organization tests for impairment when events or changes in circumstances indicate the carrying amount of an item of property and equipment may not be recoverable. The recoverability of long-lived assets is based on the net recoverable amounts determined on an undiscounted cash flow basis. If the carrying amount of an asset exceeds its net recoverable amount, an impairment loss is recognized to the extent that fair value is below the asset's carrying amount. Fair value is determined based on quoted market prices when available, otherwise on discounted cash flows over the life of the asset.

Revenue recognition

Passenger fares are recognized upon the provision of the related service.

The organization follows the deferral method of accounting for grants and contributions. Restricted grants and contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted grants and contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Substantially all of the deferred revenue recorded on the balance sheet is the January 2015 operating contribution received from the City of Hamilton.

Management estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty. These estimates are reviewed periodically and adjustments are made to income in the year in which they become known.

Items requiring significant management estimates include estimated useful lives of property and equipment.

Disabled and Aged Regional Transit System **Notes to the Financial Statements**

December 31, 2014

3. Property and equipment

			<u>2014</u>	<u>2013</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Contributed vehicles	\$ 12,114,132	\$ 7,574,324	\$ 4,539,808	\$ 6,551,701
Contributed equipment	<u>108,516</u>	<u>58,073</u>	<u>50,443</u>	<u>72,146</u>
	<u>\$ 12,222,648</u>	<u>\$ 7,632,397</u>	<u>\$ 4,590,251</u>	<u>\$ 6,623,847</u>

4. Deferred contribution

Contributions received in the year represent the fair value of vehicles or equipment at the date of contribution. Contributions are deferred and amortized over the estimated useful lives of the underlying assets.

	<u>2014</u>	<u>2013</u>
Opening balance - deferred contribution	\$ 6,623,847	\$ 4,435,947
Contributions received in the year (note 7)	-	3,932,015
Amortization of deferred contribution	(1,961,129)	(1,744,115)
Disposal of contributed vehicle	<u>(72,467)</u>	<u>-</u>
Ending balance - deferred contribution	<u>\$ 4,590,251</u>	<u>\$ 6,623,847</u>

5. Commitments

The organization has the following annual lease commitments with respect to equipment and vehicles:

2015	\$ 34,000
2016	2,000

6. Financial instruments

In management's opinion, the organization is not subject to any significant risks with respect to its financial instruments.

Disabled and Aged Regional Transit System

Notes to the Financial Statements

December 31, 2014

7. Related party transactions

The City of Hamilton exerts significant influence over the operations of the organization as it provides the majority of the organization's revenue. Transactions and balances with the City of Hamilton are as follows:

	<u>2014</u>	<u>2013</u>
Accounts receivable	\$ 92,766	\$ 458,547
Accounts payable	197,494	292,352
Due from the City of Hamilton	904,521	225,993
Deferred revenue	1,841,106	1,798,448
Grant revenue	14,960,561	12,684,431
Passenger fare revenue	309,408	376,582
Vehicle and administration expenses	29,735	10,589
Premises	160,000	160,000

Amounts due from the City of Hamilton are non-interest bearing.

In addition, the organization has a lease agreement with the City of Hamilton whereby the organization is required to pay the City of Hamilton \$1 per year for the use of the vehicles described in note 3. The organization is responsible for the operating and maintenance costs and incurs and receives substantially all the risks and rewards of ownership of these vehicles. As a result, these vehicles have been recorded as contributions at the exchange amount which is their fair value at the date of contribution (see note 4). During the year, vehicles and equipment with a fair value of \$nil (2013 - \$3,932,000) were contributed by the City of Hamilton.

The above transactions are measured at their exchange amounts, being the amounts agreed upon by the parties.



Financial Statements

Disabled and Aged Regional Transit System

December 31, 2015



Independent Auditor's Report

Grant Thornton LLP
33 Main Street East
Hamilton, ON
L8N 4K5

T +1 905 523 7732
F +1 905 572 9333
www.GrantThornton.ca

To the Board of Directors of
Disabled and Aged Regional Transit System

We have audited the accompanying financial statements of Disabled and Aged Regional Transit System, which comprise the statement of financial position as at December 31, 2015, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independent Auditor's Report (continued)

Basis for qualified opinion

In order to match the funding requirements of the City of Hamilton, the organization records property and equipment acquisitions as expenses in the year of purchase, except for contributed property and equipment, which is capitalized and amortized over its useful life and records capital leases for property and equipment as operating leases, which are departures from Canadian accounting standards for not-for-profit organizations. Had the organization recorded the property and equipment and capital leased assets at their cost and amortized them over their estimated useful lives and recorded the capital leases correctly, additional property and equipment would be recorded for \$594,000 (2014 - \$275,000), additional accumulated amortization would be recorded for \$251,000 (2014 - \$181,000) and obligation under capital lease would be recorded for \$300,000 (2014 - \$Nil). Administration expense would be increased by \$10,000 (2014 - \$nil), vehicle expense would be decreased by \$29,000 (2014 - \$43,000) and additional amortization expense would be recorded for \$70,000 (2014 - \$27,000) resulting in an additional \$(51,000) (2014 - \$16,000) of excess (deficiency) of revenue over expenses for the year. Surplus - beginning of year would be increased by \$94,000 (2014 - \$78,000) and surplus - end of year would be increased by \$43,000 (2014 - \$94,000).

Further, to match the funding requirements of the City of Hamilton, the organization records liabilities under insurance claims as they are paid, which is a departure from Canadian accounting standards for not-for-profit organizations. Had the organization accrued the liabilities under insurance claims, additional accounts payable and accrued liabilities would be recorded for \$291,000 (2014 - \$254,000). Administration expense would be increased by \$37,000 (2014 - \$25,000) resulting in an additional \$(37,000) (2014 - \$(25,000)) being shown as an excess (deficiency) of revenue over expenses for the year. Surplus - beginning of year would be decreased by \$254,000 (2014 - \$229,000) and surplus - end of year would be decreased by \$291,000 (2014 - \$254,000).

Qualified opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2015 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.



Hamilton, Canada
April 28, 2016

Chartered Professional Accountants
Licensed Public Accountants

Disabled and Aged Regional Transit System Statement of Operations

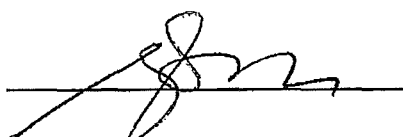
Year ended December 31	2015	2014
Revenue		
City of Hamilton grants	\$ 15,759,833	\$ 14,690,561
Amortization of deferred contribution	1,846,409	1,961,129
Passenger fares	722,946	674,440
Other	1,752	4,254
	<u>18,330,940</u>	<u>17,330,384</u>
Expenses		
Wages and benefits	9,442,522	9,201,030
Purchase of services	3,729,116	2,780,394
Vehicle	2,804,124	2,879,146
Amortization	1,846,409	1,961,129
Administration	242,892	256,012
Premises	160,000	160,000
Professional fees	105,877	92,673
	<u>18,330,940</u>	<u>17,330,384</u>
Excess of revenue over expenses for the year	\$ <u>-</u>	\$ <u>-</u>

Disabled and Aged Regional Transit System Statement of Financial Position

December 31	2015	2014
Assets		
Current		
Cash	\$ 2,285,382	\$ 1,301,325
Accounts receivable	548,536	524,321
Due from the City of Hamilton (Note 8)	<u>205,319</u>	<u>904,521</u>
	3,039,237	2,730,167
Property and equipment (Note 3)	<u>2,743,842</u>	<u>4,590,251</u>
	<u>\$ 5,783,079</u>	<u>\$ 7,320,418</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,026,486	\$ 807,877
Government remittances payable	18,197	35,223
Deferred revenue	<u>1,994,554</u>	<u>1,887,067</u>
	3,039,237	2,730,167
Deferred contribution (Note 4)	<u>2,743,842</u>	<u>4,590,251</u>
	5,783,079	7,320,418
Fund balances		
Surplus	<u>-</u>	<u>-</u>
	<u>\$ 5,783,079</u>	<u>\$ 7,320,418</u>

Commitments (Note 5)

On behalf of the board


 Director  Director

Disabled and Aged Regional Transit System Statement of Cash Flows

Year ended December 31	2015	2014
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenue over expenses	\$ -	\$ -
Items not affecting cash		
Amortization	1,846,409	1,961,129
Amortization of deferred contribution	<u>(1,846,409)</u>	<u>(1,961,129)</u>
	-	-
Change in non-cash working capital items		
Accounts receivable	(24,215)	291,830
Accounts payable and accrued liabilities	218,609	(41,767)
Government remittances payable	(17,026)	17,472
Deferred revenue	107,487	42,116
Due from the City of Hamilton	<u>699,202</u>	<u>(678,528)</u>
Increase (decrease) in cash	984,057	(368,877)
Cash		
Beginning of year	<u>1,301,325</u>	<u>1,670,202</u>
End of year	<u>\$ 2,285,382</u>	<u>\$ 1,301,325</u>

Disabled and Aged Regional Transit System

Notes to the Financial Statements

December 31, 2015

1. Nature of operations

Disabled and Aged Regional Transit System was established to transport disabled and aged persons in the City of Hamilton. It is incorporated by Letters Patent as a corporation without share capital under the laws of the Province of Ontario and is a registered charity under the Income Tax Act.

2. Significant accounting policies

With the exception of not capitalizing and amortizing property and equipment and recording capital leases as operating leases and recording liabilities under insurance claims as they are paid, the organization follows Canadian accounting standards for not-for-profit organizations in preparing its financial statements. The significant accounting policies used are as follows:

Financial instruments

Measurement

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

Financial assets or liabilities obtained in related party transactions that are with a person or entity whose sole relationship with the organization is in the capacity of management are accounted for in accordance with financial instruments.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets and financial liabilities measured at amortized cost include cash, accounts receivable, and accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in income.

Disabled and Aged Regional Transit System

Notes to the Financial Statements

December 31, 2015

2. Significant accounting policies (continued)

Property and equipment

Contributed vehicles and equipment and matching deferred contributions are recorded at fair market value at the date of the contribution. Amortization of contributed vehicles and equipment and the matching deferred contribution is recorded using the straight line method at the following annual rates over the estimated useful lives of the related assets:

Contributed vehicles	6 years Straight-line
Contributed equipment	5 years Straight-line

The estimated useful lives of assets are reviewed by management and adjusted if necessary.

The organization tests for impairment when events or changes in circumstances indicate the carrying amount of an item of property and equipment may not be recoverable. The recoverability of long-lived assets is based on the net recoverable amounts determined on an undiscounted cash flow basis. If the carrying amount of an asset exceeds its net recoverable amount, an impairment loss is recognized to the extent that fair value is below the asset's carrying amount. Fair value is determined based on quoted market prices when available, otherwise on discounted cash flows over the life of the asset.

Revenue recognition

Passenger fares are recognized upon the provision of the related service.

The organization follows the deferral method of accounting for grants and contributions. Restricted grants and contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted grants and contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Substantially all of the deferred revenue recorded on the balance sheet is the January 2016 operating contribution received from the City of Hamilton.

Management estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty. These estimates are reviewed periodically and adjustments are made to income in the year in which they become known.

Items requiring significant management estimates include estimated useful lives of property and equipment.

Disabled and Aged Regional Transit System Notes to the Financial Statements

December 31, 2015

3. Property and equipment

			<u>2015</u>	<u>2014</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Contributed vehicles	\$ 11,975,346	\$ 9,260,244	\$ 2,715,102	\$ 4,539,808
Contributed equipment	<u>108,516</u>	<u>79,776</u>	<u>28,740</u>	<u>50,443</u>
	<u>\$ 12,083,862</u>	<u>\$ 9,340,020</u>	<u>\$ 2,743,842</u>	<u>\$ 4,590,251</u>

4. Deferred contribution

Contributions received in the year represent the fair value of vehicles or equipment at the date of contribution. Contributions are deferred and amortized over the estimated useful lives of the underlying assets.

	<u>2015</u>	<u>2014</u>
Opening balance - deferred contribution	\$ 4,590,251	\$ 6,623,847
Contributions received in the year (note 7)	-	-
Amortization of deferred contribution	(1,846,409)	(1,961,129)
Disposal of contributed vehicle	-	(72,467)
Ending balance - deferred contribution	<u>\$ 2,743,842</u>	<u>\$ 4,590,251</u>

5. Commitments

The organization has the following annual lease commitments with respect to equipment and vehicles:

2016	\$ 183,000
2017	181,000
2018	181,000
2019	86,000

6. Financial instruments

In management's opinion, the organization is not subject to any significant risks with respect to its financial instruments.

Disabled and Aged Regional Transit System

Notes to the Financial Statements

December 31, 2015

7. Related party transactions

The City of Hamilton exerts significant influence over the operations of the organization as it provides the majority of the organization's revenue. Transactions and balances with the City of Hamilton are as follows:

	<u>2015</u>	<u>2014</u>
Accounts receivable	\$ 103,255	\$ 92,766
Accounts payable	201,818	197,494
Deferred revenue	1,987,801	1,841,106
Grant revenue	15,759,833	14,960,561
Passenger fare revenue	333,395	309,408
Vehicle and administration expenses	17,059	29,735
Premises	160,000	160,000

Amounts due from the City of Hamilton are non-interest bearing.

In addition, the organization has a lease agreement with the City of Hamilton whereby the organization is required to pay the City of Hamilton \$1 per year for the use of the vehicles described in note 3. The organization is responsible for the operating and maintenance costs and incurs and receives substantially all the risks and rewards of ownership of these vehicles. As a result, these vehicles have been recorded as contributions at the exchange amount which is their fair value at the date of contribution (see note 4). During the year, vehicles and equipment with a fair value of \$Nil (2014 - \$Nil) were contributed by the City of Hamilton.

The above transactions are measured at their exchange amounts, being the amounts agreed upon by the parties.

8. Due from the City of Hamilton

The amount due from the City of Hamilton is for 14,403 trips delivered above budgeted service requirements.

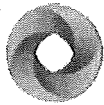


Grant Thornton

Financial Statements

Disabled and Aged Regional Transit System

December 31, 2016



Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
33 Main Street East
Hamilton, ON
L8N 4K5

T +1 905 523 7732
F +1 905 572 9333
www.GrantThornton.ca

To the Board of Directors of
Disabled and Aged Regional Transit System

We have audited the accompanying financial statements of Disabled and Aged Regional Transit System, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independent Auditor's Report (continued)

Basis for qualified opinion

In order to match the funding requirements of the City of Hamilton, the organization records property and equipment acquisitions as expenses in the year of purchase, except for vehicles and contributed property and equipment, which are capitalized and amortized over their useful lives and records capital leases for property and equipment as operating leases, which are departures from Canadian accounting standards for not-for-profit organizations. Had the organization recorded the property and equipment other than vehicles and capital leased assets at their cost and amortized them over their estimated useful lives and recorded the capital leases correctly, additional property and equipment would be recorded for \$871,000 (2015 - \$594,000), additional accumulated amortization would be recorded for \$392,000 (2015 - \$251,000) and obligation under capital lease would be recorded for \$402,000 (2015 - \$300,000). Administration expense would be decreased by \$67,000 (2015 - increased by \$10,000), vehicle expense would be decreased by \$108,000 (2015 - \$29,000) and additional amortization expense would be recorded for \$141,000 (2015 - \$70,000) resulting in an additional \$34,000 (2015 - (\$51,000)) of excess of revenue (deficiency) over expenses for the year. Surplus - beginning of year would be increased by \$43,000 (2015 - \$94,000) and surplus - end of year would be increased by \$77,000 (2015 - \$43,000).

Further, to match the funding requirements of the City of Hamilton, the organization records liabilities under insurance claims as they are paid, which is a departure from Canadian accounting standards for not-for-profit organizations. Had the organization accrued the liabilities under insurance claims, additional accounts payable and accrued liabilities would be recorded for \$197,000 (2015 - \$291,000). Administration expense would be decreased by \$94,000 (2015 - increased by \$37,000) resulting in an additional \$94,000 (2015 - (\$37,000)) being shown as an excess (deficiency) of revenue over expenses for the year. Surplus - beginning of year would be decreased by \$291,000 (2015 - \$254,000) and surplus - end of year would be decreased by \$197,000 (2015 - \$291,000).

Qualified opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2016 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.

Grant Thornton LLP

Hamilton, Canada
June 16, 2017

Chartered Professional Accountants
Licensed Public Accountants

Disabled and Aged Regional Transit System Statement of Operations

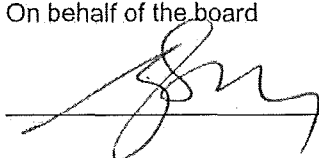
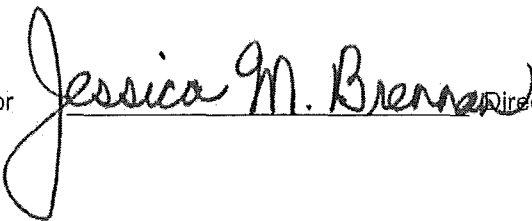
Year ended December 31	2016	2015
Revenue		
City of Hamilton grants	\$ 16,698,531	\$ 15,759,833
Amortization of deferred contribution	1,054,282	1,846,409
Passenger fares	849,106	722,946
Other	5,878	1,752
	<u>18,607,797</u>	<u>18,330,940</u>
Expenses		
Wages and benefits	9,741,273	9,442,522
Purchase of services	4,460,731	3,729,116
Vehicle	2,709,222	2,804,124
Amortization	1,059,813	1,846,409
Administration	334,670	242,892
Premises	168,371	160,000
Professional fees	133,717	105,877
	<u>18,607,797</u>	<u>18,330,940</u>
Excess of revenue over expenses for the year	<u>\$ -</u>	<u>\$ -</u>

Disabled and Aged Regional Transit System **Statement of Financial Position**

December 31	2016	2015
Assets		
Current		
Cash	\$ 2,152,654	\$ 2,285,382
Accounts receivable	937,173	548,536
Prepaid expenses	31,250	-
Due from the City of Hamilton	-	205,319
	<u>3,121,077</u>	<u>3,039,237</u>
Property and equipment (Note 3)	<u>1,941,123</u>	<u>2,743,842</u>
	<u>\$ 5,062,200</u>	<u>\$ 5,783,079</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,305,287	\$ 1,026,486
Government remittances payable	44,840	18,197
Deferred revenue	1,996,380	1,994,554
Due to the City of Hamilton (Note 8)	<u>121,703</u>	<u>-</u>
	<u>3,468,210</u>	<u>3,039,237</u>
Deferred contribution (Note 4)	<u>1,593,990</u>	<u>2,743,842</u>
	<u>5,062,200</u>	<u>5,783,079</u>
Fund balances		
Surplus	<u>-</u>	<u>-</u>
	<u>\$ 5,062,200</u>	<u>\$ 5,783,079</u>

Commitments (Note 5)

On behalf of the board


 Director
 
 Director

Disabled and Aged Regional Transit System Statement of Cash Flows

Year ended December 31	2016	2015
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenue over expenses	\$ -	\$ -
Items not affecting cash		
Amortization	1,059,813	1,846,409
Amortization of deferred contribution	(1,054,282)	(1,846,409)
	5,531	-
Change in non-cash working capital items		
Accounts receivable	(388,637)	(24,215)
Prepaid expenses	(31,250)	-
Accounts payable and accrued liabilities	278,801	218,609
Government remittances payable	26,643	(17,026)
Deferred revenue	1,826	107,487
Due to/from the City of Hamilton	327,022	699,202
	219,936	984,057
Investing		
Purchase of property and equipment	(352,664)	-
(Decrease) increase in cash	(132,728)	984,057
Cash		
Beginning of year	2,285,382	1,301,325
End of year	\$ 2,152,654	\$ 2,285,382

Disabled and Aged Regional Transit System

Notes to the Financial Statements

December 31, 2016

1. Nature of operations

Disabled and Aged Regional Transit System was established to transport disabled and aged persons in the City of Hamilton. It is incorporated by Letters Patent as a corporation without share capital under the laws of the Province of Ontario and is a registered charity under the Income Tax Act.

2. Significant accounting policies

With the exception of not capitalizing and amortizing property and equipment and recording capital leases as operating leases and recording liabilities under insurance claims as they are paid, the organization follows Canadian accounting standards for not-for-profit organizations in preparing its financial statements. The significant accounting policies used are as follows:

Financial instruments

Measurement

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

Financial assets or liabilities obtained in related party transactions that are with a person or entity whose sole relationship with the organization is in the capacity of management are accounted for in accordance with financial instruments.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets and financial liabilities measured at amortized cost include cash, accounts receivable and accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in income.

Disabled and Aged Regional Transit System

Notes to the Financial Statements

December 31, 2016

2. Significant accounting policies (continued)

Property and equipment

Contributed vehicles and equipment and matching deferred contributions are recorded at fair market value at the date of the contribution. Vehicles are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization of vehicles and of contributed vehicles and equipment and the matching deferred contribution is recorded using the straight line method at the following annual rates over the estimated useful lives of the related assets:

Contributed vehicles	6 years Straight-line
Vehicles	6 years Straight-line
Contributed equipment	5 years Straight-line

The estimated useful lives of assets are reviewed by management and adjusted if necessary.

The organization tests for impairment when events or changes in circumstances indicate the carrying amount of an item of property and equipment may not be recoverable. The recoverability of long-lived assets is based on the net recoverable amounts determined on an undiscounted cash flow basis. If the carrying amount of an asset exceeds its net recoverable amount, an impairment loss is recognized to the extent that fair value is below the asset's carrying amount. Fair value is determined based on quoted market prices when available, otherwise on discounted cash flows over the life of the asset.

Revenue recognition

Passenger fares are recognized upon the provision of the related service.

The organization follows the deferral method of accounting for grants and contributions. Restricted grants and contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted grants and contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Substantially all of the deferred revenue recorded on the balance sheet is the January 2017 operating contribution received from the City of Hamilton.

Management estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty. These estimates are reviewed periodically and adjustments are made to income in the year in which they become known.

Items requiring significant management estimates include estimated useful lives of property and equipment.

Disabled and Aged Regional Transit System **Notes to the Financial Statements**

December 31, 2016

3. Property and equipment

			<u>2016</u>	<u>2015</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Contributed vehicles	\$ 6,905,408	\$ 5,318,455	\$ 1,586,953	\$ 2,715,102
Vehicles	352,664	5,531	347,133	-
Contributed equipment	<u>108,516</u>	<u>101,479</u>	<u>7,037</u>	<u>28,740</u>
	<u>\$ 7,366,588</u>	<u>\$ 5,425,465</u>	<u>\$ 1,941,123</u>	<u>\$ 2,743,842</u>

4. Deferred contribution

Contributions received in the year represent the fair value of vehicles or equipment at the date of contribution. Contributions are deferred and amortized over the estimated useful lives of the underlying assets.

	<u>2016</u>	<u>2015</u>
Opening balance - deferred contribution	\$ 2,743,842	\$ 4,590,251
Contributions received in the year (note 7)	-	-
Amortization of deferred contribution	(1,054,282)	(1,846,409)
Loss on disposal of contributed vehicle	<u>(95,570)</u>	<u>-</u>
Ending balance - deferred contribution	<u>\$ 1,593,990</u>	<u>\$ 2,743,842</u>

5. Commitments

The organization has the following annual lease commitments with respect to equipment and vehicles:

2017	\$ 332,000
2018	266,000
2019	146,000
2020	47,000

6. Financial Instruments

In management's opinion, the organization is not subject to any significant risks with respect to its financial instruments.

Disabled and Aged Regional Transit System

Notes to the Financial Statements

December 31, 2016

7. Related party transactions

The City of Hamilton exerts significant influence over the operations of the organization as it provides the majority of the organization's revenue. Transactions and balances with the City of Hamilton are as follows:

	<u>2016</u>	<u>2015</u>
Accounts receivable	\$ 78,474	\$ 103,255
Accounts payable	346,075	201,818
Deferred revenue	1,987,670	1,987,801
Grant revenue	16,698,531	15,759,833
Passenger fare revenue	373,502	333,395
Vehicle and administration expenses	3,905	17,059
Premises	160,000	160,000

Amounts due from the City of Hamilton are non-interest bearing.

In addition, the organization has a lease agreement with the City of Hamilton whereby the organization is required to pay the City of Hamilton \$1 per year for the use of the vehicles described in note 3. The organization is responsible for the operating and maintenance costs and incurs and receives substantially all the risks and rewards of ownership of these vehicles. As a result, these vehicles have been recorded as contributions at the exchange amount which is their fair value at the date of contribution (see note 4). During the year, vehicles and equipment with a fair value of \$Nil (2015 - \$Nil) were contributed by the City of Hamilton.

The above transactions are measured at their exchange amounts, being the amounts agreed upon by the parties.

8. Due to the City of Hamilton

The amount due to the City of Hamilton includes 10,826 trips delivered above budgeted service requirements.



Financial Statements

Disabled and Aged Regional Transit System

December 31, 2017



Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
33 Main Street East
Hamilton, ON
L8N 4K5

T +1 905 523 7732
F +1 905 572 9333
www.GrantThornton.ca

To the Board of Directors of
Disabled and Aged Regional Transit System

We have audited the accompanying financial statements of Disabled and Aged Regional Transit System, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independent Auditor's Report (continued)

Basis for qualified opinion

In order to match the funding requirements of the City of Hamilton, the organization records property and equipment acquisitions as expenses in the year of purchase, except for vehicles and contributed property and equipment, which are capitalized and amortized over their useful lives and records capital leases for property and equipment as operating leases, which are departures from Canadian accounting standards for not-for-profit organizations. Had the organization recorded the property and equipment other than vehicles and capital leased assets at their cost and amortized them over their estimated useful lives and recorded the capital leases correctly, additional property and equipment would be recorded for \$3,009,000 (2016 - \$871,000), additional accumulated amortization would be recorded for \$922,000 (2016 - \$392,000) and obligation under capital lease would be recorded for \$2,082,000 (2016 - \$402,000). Administration expense would be increased by \$70,000 (2016 - decreased by \$67,000), vehicle expense would be decreased by \$528,000 (2016 - \$108,000) and additional amortization expense would be recorded for \$530,000 (2016 - \$141,000) resulting in an additional \$(72,000) (2016 - \$34,000) of excess of revenue over expenses for the year. Surplus - beginning of year would be increased by \$77,000 (2016 - \$43,000) and surplus - end of year would be increased by \$5,000 (2016 - \$77,000).

Further, to match the funding requirements of the City of Hamilton, the organization records liabilities under insurance claims as they are paid, which is a departure from Canadian accounting standards for not-for-profit organizations. Had the organization accrued the liabilities under insurance claims, additional accounts payable and accrued liabilities would be recorded for \$183,000 (2016 - \$197,000). Administration expense would be decreased by \$14,000 (2016 - \$94,000) resulting in an additional \$14,000 (2016 - \$94,000) being shown as an excess of revenue over expenses for the year. Surplus - beginning of year would be decreased by \$197,000 (2016 - \$291,000) and surplus - end of year would be decreased by \$183,000 (2016 - \$197,000).

Qualified opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2017 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.

Grant Thornton LLP

Hamilton, Canada
March 22, 2018

Chartered Professional Accountants
Licensed Public Accountants

Disabled and Aged Regional Transit System **Statement of Operations**

Year ended December 31

2017

2016

Revenue

City of Hamilton grants (Note 9)	\$ 17,195,309	\$ 16,698,531
Passenger fares (Note 9)	935,151	849,106
Amortization of deferred contribution	314,523	1,054,282
Other	5,863	5,878
	<u>18,450,846</u>	<u>18,607,797</u>

Expenses

Wages and benefits	9,672,641	9,741,273
Purchase of services	5,027,411	4,460,731
Vehicle (Note 9)	2,842,382	2,709,222
Amortization	348,486	1,059,813
Administration (Note 9)	266,400	334,670
Professional fees	171,671	133,717
Premises (Note 9)	161,349	168,371
	<u>18,490,340</u>	<u>18,607,797</u>

Deficiency of revenue over expenses before other income

(39,494) -

Other income

Gain on disposal of property and equipment	<u>39,494</u>	<u>-</u>
--	---------------	----------

Excess of revenue over expenses for the year

\$ - \$ -

Disabled and Aged Regional Transit System

Statement of Financial Position

December 31

2017

2016

Assets

Current

Cash	\$ 1,990,036	\$ 2,152,654
Short term investment	45,000	-
Accounts receivable (Note 9)	704,467	937,173
Prepaid expenses	31,250	31,250
Due from the City of Hamilton (Note 10)	250,228	-

3,020,981 3,121,077

Property and equipment (Note 3)

443,419 1,941,123

\$ 3,464,400 \$ 5,062,200

Liabilities

Current

Accounts payable and accrued liabilities (Note 9)	\$ 1,044,017	\$ 1,305,287
Government remittances payable	18,502	44,840
Deferred revenue (Note 9)	1,958,462	1,996,380
Due to the City of Hamilton	-	121,703

3,020,981 3,468,210

Deferred contribution (Note 4)

443,419 1,593,990

3,464,400 5,062,200

Fund balances

Surplus

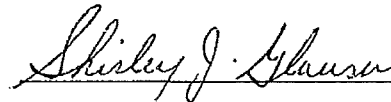
\$ 3,464,400 \$ 5,062,200

Commitments (Note 5)

On behalf of the board



Director



Director

Disabled and Aged Regional Transit System **Statement of Cash Flows**

Year ended December 31

2017

2016

Increase (decrease) in cash

Operating

Excess of revenue over expenses	\$ -	\$ -
Items not affecting cash		
Amortization	348,486	1,059,813
Amortization of deferred contribution	(314,523)	(1,054,282)
Gain on disposal of property and equipment	(39,494)	-
	(5,531)	5,531
Change in non-cash working capital items		
Accounts receivable	232,706	(388,637)
Prepaid expenses	-	(31,250)
Accounts payable and accrued liabilities	(261,270)	278,801
Government remittances payable	(26,338)	26,643
Deferred revenue	(37,918)	1,826
Due to/from the City of Hamilton	(371,931)	327,022
	(470,282)	219,936

Investing

Purchase of property and equipment	(87,835)	(352,664)
Proceeds on disposal of property and equipment	440,499	-
Purchase of short term investment	(45,000)	-
	307,664	(352,664)

Decrease in cash	(162,618)	(132,728)
------------------	-----------	-----------

Cash

Beginning of year	2,152,654	2,285,382
End of year	\$ 1,990,036	\$ 2,152,654

Disabled and Aged Regional Transit System

Notes to the Financial Statements

December 31, 2017

1. Nature of operations

Disabled and Aged Regional Transit System was established to transport disabled and aged persons in the City of Hamilton. It is incorporated by Letters Patent as a corporation without share capital under the laws of the Province of Ontario and is a registered charity under the Income Tax Act.

2. Significant accounting policies

With the exception of not capitalizing and amortizing property and equipment and recording capital leases as operating leases and recording liabilities under insurance claims as they are paid, the organization follows Canadian accounting standards for not-for-profit organizations in preparing its financial statements. The significant accounting policies used are as follows:

Financial instruments

Measurement

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

Financial assets or liabilities obtained in related party transactions that are with a person or entity whose sole relationship with the organization is in the capacity of management are accounted for in accordance with financial instruments.

The organization subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets and financial liabilities measured at amortized cost include cash, accounts receivable and accounts payable and accrued liabilities.

Financial instruments measured at fair value include short term investments. The fair value of these instruments have been determined using cost plus calculated accrued interest.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in income.

Disabled and Aged Regional Transit System

Notes to the Financial Statements

December 31, 2017

2. Significant accounting policies (continued)

Property and equipment

Contributed vehicles and equipment and matching deferred contributions are recorded at fair market value at the date of the contribution. Vehicles are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization of vehicles and of contributed vehicles and equipment and the matching deferred contribution is recorded using the straight line method at the following annual rates over the estimated useful lives of the related assets:

Contributed vehicles	6 years Straight-line
Contributed equipment	5 years Straight-line
Vehicles	6 years Straight-line

The estimated useful lives of assets are reviewed by management and adjusted if necessary.

The organization tests for impairment when events or changes in circumstances indicate the carrying amount of an item of property and equipment may not be recoverable. The recoverability of long-lived assets is based on the net recoverable amounts determined on an undiscounted cash flow basis. If the carrying amount of an asset exceeds its net recoverable amount, an impairment loss is recognized to the extent that fair value is below the asset's carrying amount. Fair value is determined based on quoted market prices when available, otherwise on discounted cash flows over the life of the asset.

Revenue recognition

Passenger fares are recognized upon the provision of the related service.

The organization follows the deferral method of accounting for grants and contributions. Restricted grants and contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted grants and contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Substantially all of the deferred revenue recorded on the balance sheet is the January 2018 operating contribution received from the City of Hamilton.

Management estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty. These estimates are reviewed periodically and adjustments are made to income in the year in which they become known.

Items requiring significant management estimates include estimated useful lives of property and equipment.

Disabled and Aged Regional Transit System

Notes to the Financial Statements

December 31, 2017

2. Significant accounting policies (continued)

Pension expense and obligation

Defined contribution plan accounting is applied to a multi-employer plan, whereby contributions are expensed when due.

3. Property and equipment

			<u>2017</u>	<u>2016</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Contributed vehicles	\$ 1,802,173	\$ 1,358,754	\$ 443,419	\$ 1,586,953
Contributed equipment	108,516	108,516	-	7,037
Vehicles	-	-	-	347,133
	<u>\$ 1,910,689</u>	<u>\$ 1,467,270</u>	<u>\$ 443,419</u>	<u>\$ 1,941,123</u>

4. Deferred contribution

Contributions are deferred and amortized over the estimated useful lives of the underlying assets.

	<u>2017</u>	<u>2016</u>
Opening balance - deferred contribution	\$ 1,593,990	\$ 2,743,842
Amortization of deferred contribution	(314,523)	(1,054,282)
Loss on disposal of contributed vehicles	(836,048)	(95,570)
Ending balance - deferred contribution	<u>\$ 443,419</u>	<u>\$ 1,593,990</u>

Disabled and Aged Regional Transit System

Notes to the Financial Statements

December 31, 2017

5. Commitments

The organization has the following annual lease commitments with respect to equipment and vehicles:

2018	\$	1,012,000
2019		892,000
2020		420,000

Subsequent to year end, the organization entered into a lease commitment for vehicles at an annual cost of \$318,000 for the period from February 2018 to February 2021.

6. Credit facilities

The organization's credit facilities include a \$3,000,000 revolving lease line of credit by way of leases. Interest is determined on a lease by lease basis and ranges from 3.1% to 3.7%. The amount outstanding on this credit facility as at December 31, 2017 is \$1,795,000 (2016 - \$nil).

The organization also has a \$45,000 revolving demand facility by way of letter of guarantee which is fully utilized at December 31, 2017.

These credit facilities are secured by a general security agreement constituting a first ranking security interest in all personal property of the organization, and a cash collateral agreement assigning term deposits and/or guaranteed investment certificates in the amount of \$45,000.

7. Employee pension plan

DARTS makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer pension plan, on behalf of its qualifying full and part-time employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service, pension formula and best 60 months of earnings. Employees and employers contribute equally to the plan.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. As a result, DARTS does not recognize any share of the OMERS pension actuarial deficit of \$5,403 million (2016 - \$5,720 million), as DARTS' portion of the amount is not determinable. Employers' current service contributions to the OMERS pension plan in the amount of \$6,000 (2016 - \$nil) are included as wages and benefits in the current year.

8. Financial instruments

In management's opinion, the organization is not subject to any significant risks with respect to its financial instruments.

Disabled and Aged Regional Transit System

Notes to the Financial Statements

December 31, 2017

9. Related party transactions

The City of Hamilton exerts significant influence over the operations of the organization as it provides the majority of the organization's revenue. Transactions and balances with the City of Hamilton are as follows:

	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 143,579	\$ 78,474
Accounts payable	146,371	346,075
Deferred revenue	1,912,903	1,987,670
Grant revenue	17,195,309	16,698,531
Passenger fare revenue	387,453	373,502
Vehicle and administration expenses	992,962	732,078
Premises	160,000	160,000

Amounts due from the City of Hamilton are non-interest bearing.

In addition, the organization has a lease agreement with the City of Hamilton whereby the organization is required to pay the City of Hamilton \$1 per year for the use of the vehicles described in note 3. The organization is responsible for the operating and maintenance costs and incurs and receives substantially all the risks and rewards of ownership of these vehicles. As a result, these vehicles have been recorded as contributions at the exchange amount which is their fair value at the date of contribution (see note 4). During the year, vehicles and equipment with a fair value of \$nil (2016 - \$nil) were contributed by the City of Hamilton.

The above transactions are measured at their exchange amounts, being the amounts agreed upon by the parties.

10. Due to the City of Hamilton

The amount due to the City of Hamilton includes 24,860 trips delivered below budgeted service requirements.

BY-LAW NUMBER 2

A by-law relating generally to the transaction of the business and affairs of

DISABLED & AGED REGIONAL TRANSIT SYSTEM

(the “Corporation”)

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Article Two	Head Office
Article Three	Directors
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Article Seven	For the Protection of Directors and Officers
Article Eight	Indemnities to Directors and Others
Article Nine	Interested Director Contracts
Article Ten	Members
Article Eleven	Members’ Meetings
Article Twelve	Custody and Voting of Shares and Securities
Article Thirteen	Execution of Instruments
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BY-LAW NUMBER 2

ARTICLE ONE INTERPRETATION

1.01 Definitions. In this By-law, unless the context otherwise specifies or requires:

- (a) "Act" means the *Corporations Act*, R.S.O. 1990, chap. C.38 as from time to time amended and every statute that may be substituted therefor and, in the case of such substitution, any references in the By-laws of the Corporation to provisions of the Act shall be read as references to the substituted provisions therefor in the new statute or statutes;
- (b) "Letters Patent" means the Letters Patent and any supplementary letters patent of the Corporation;
- (c) "Board" means the Board of the Corporation and "director" means a member of the Board;
- (d) "By-law" means this By-law and any other By-law of the Corporation as amended and which are, from time to time, in force and effect;
- (e) "Regulations" means the regulations made under the Act, as amended, restated or in effect from time to time.
- (f) "special resolution" means a resolution passed by the directors and confirmed with or without variation by at least two-thirds of the votes cast at a general meeting of the members of the corporation duly called for that purpose, or, in lieu of such confirmation, by the consent in writing of all the members entitled to vote at such meeting.

1.02 Interpretation. This By-law shall be, unless the context otherwise requires, construed and interpreted in accordance with the following:

- (a) all terms which are contained in the By-laws of the Corporation and which are defined in the Act or the Regulations made thereunder shall have the meanings given to such terms in the Act or such Regulations;
- (b) words importing the singular number only shall include the plural and vice versa; and the word "person" shall include bodies corporate, corporations, companies, partnerships, syndicates, trusts and any number or aggregate of persons;
- (c) the headings used in the By-laws are inserted for reference purposes only and are not to be considered or taken into account in construing the terms or provisions thereof or to be deemed in any way to clarify, modify or explain the effect of any such terms or provisions.

ARTICLE TWO HEAD OFFICE

- 2.01 **Head Office.** The head office of the Corporation shall be in the City of Hamilton in the Province of Ontario (subject to change by special resolution) and at such place within the municipality in Ontario where the head office is from time to time situate as the directors of the Corporation may from time to time by resolution fix.
- 2.02 **Seal.** The seal of the Corporation, if any, may be approved by resolution of the Board.

ARTICLE THREE DIRECTORS

- 3.01 **Duties and Number.** The affairs of the Corporation shall be managed by the Board. The board of directors shall consist of twelve (12) directors or such other number of directors as may be determined from time to time by special resolution.
- 3.02 **Qualifications.** Every director shall be eighteen (18) or more years of age and shall be a member of the Corporation, and no undischarged bankrupt shall become a director.
- 3.03 **Election and Term.** The directors shall serve staggered three year terms, such that one third of the board shall be subject to re-election annually. Where an election is held to fill a vacancy, newly elected directors shall be elected for three-year (3) terms. No director shall serve more than three (3) consecutive three-year (3) terms as a director, and no director that is elected for three (3) consecutive three-year (3) terms is eligible for re-election in respect of the term immediately following the third (3rd) such term (whether or not such third term is served in full), but any director that serves three (3) consecutive terms as director is eligible for re-election upon the first (1st) anniversary of the end of such three (3) consecutive terms.
- 3.04 **Vacancies.** The office of a director shall automatically be vacated:
- (a) if the director ceases to be a member of the Corporation;
 - (b) if the director becomes bankrupt or suspends payment of debts generally or compounds with creditors or makes an authorized assignment or is declared insolvent;
 - (c) if the director is found to be a mentally incompetent person or becomes of unsound mind;
 - (d) if the director by notice in writing to the Corporation resigns office which resignation shall be effective at the time it is received by the Corporation or at the time specified in the notice, whichever is later;

- (e) if at a meeting of members, a resolution is passed by at least two-thirds (2/3) of the votes cast by the members at the meeting removing the director before the expiration of the director's term of office; or
- (f) if the director dies.

3.05 Filling Vacancies. A vacancy occurring in the Board shall be filled as follows:

- (a) if the vacancy occurs as a result of the removal of any director by the members in accordance with paragraph 3.04(e) above, it may be filled upon the vote of a majority of the members, and any director elected to fill a removed director's place shall hold office for the remainder of the removed director's term;
- (b) any other vacancy on the Board may be filled for the remainder of the term by the directors then in office, if they shall see fit to do so, so long as there is a quorum of directors in office provided that if there is not a quorum of directors, the remaining directors shall forthwith call a meeting of the members to fill the vacancy, and, in default or if there are no directors then in office, the meeting may be called by any member;
- (c) otherwise such vacancy shall be filled at the next annual meeting of the members at which the directors for the ensuing year are elected.

If the number of directors is increased between the terms, a vacancy or vacancies, to the number of the authorized increase, shall thereby be deemed to have occurred, which may be filled in the manner above provided.

3.06 Representative Observers. From time to time, the Board may appoint and authorize non-voting observers representing third parties (including representatives of the City of Hamilton) to attend, observe and speak to matters before the Board. The Board reserves the right at any time, whether in camera or otherwise, to request that such observers excuse themselves from a board meeting.

3.07 Committees.

- (a) Standing Committees: The following shall be standing committees of the Board, with the powers and composition of such committees to be determined by the Board from time to time by approving committee terms of reference:
 - i. Governance Committee
 - ii. Audit & Risk Management Committee
 - iii. Community Relations Committee

Subject to any *ex officio* appointments provided for in the terms of reference, committee members shall be appointed by and may be removed by resolution of the Board.

- (b) Ad Hoc Committees: Subject to the Act, the Board may from time to time appoint any *ad hoc* committee or committees as it deems necessary or appropriate for such purposes and with such powers as the Board shall see fit. Terms of Reference for such committees shall be approved resolution of the Board. Committee members shall be appointed by and may be removed by resolution of the Board.

3.07 Remuneration of Directors. The directors shall serve as such without remuneration and no director shall directly or indirectly receive any profit from occupying the position of director; provided that a director may be reimbursed for reasonable expenses incurred by the director in the performance of the director's duties.

ARTICLE FOUR MEETINGS OF DIRECTORS

4.01 Place of Meeting. Meetings of the Board may be held either at the head office or at any place within or outside Ontario.

4.02 Notice.

- (a) A meeting of directors may be convened at any time by the Chair or, where the Chair is unavailable, the Vice-Chair. The Secretary, when directed or authorized by any of such officers, shall convene a meeting of directors. The notice of meeting convened as aforesaid need not specify the purpose of or the business to be transacted at the meeting. Notice of any such meeting shall be served in accordance with Article 15 hereof not less than seven (7) days (exclusive of the day on which the notice is delivered or sent but inclusive of the day for which notice is given) before the meeting is to take place, or such longer period as may be required by law.
- (b) Any four (4) directors may, in writing, petition the Chair (or the Vice-Chair where the Chair is unavailable) to convene a meeting of directors and the Chair shall issue notice of a meeting of directors in accordance with Section 4.02(a) above within seven (7) days of receiving said petition. For avoidance of doubt, the meeting shall be held no later than fourteen (14) days after the receipt of the petition by the Chair or Vice-Chair, as the case may be.
- (c) If the first meeting of the Board following the election of directors by the members is held immediately thereafter, then for such meeting or for a meeting of the Board at which a director is appointed to fill a vacancy in the Board, no notice shall be necessary to the newly elected or appointed directors or director in order to legally constitute the meeting, provided that a quorum of the directors is present.

4.03 Waiver of Notice. A director and any other person entitled to attend a meeting of directors may in any manner waive notice of a meeting of directors and attendance of any such person at a meeting of directors shall constitute a waiver of notice of

the meeting except where such person attends a meeting for the express purposes of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

- 4.04 **Error or Omission in Giving Notice.** No error or accidental omission in giving notice of any meeting of directors shall invalidate such meeting or make void any proceedings taken at such meeting.
- 4.05 **Chairperson of the Meeting.** In the event that the Chair is absent from a meeting, the Vice-Chair shall act as chairperson for any such meeting. Where both the Chair and Vice-Chair are absent, the persons who are present and entitled to vote at such meeting shall choose another director as chairperson of the meeting.
- 4.06 **Adjournment.** Any meeting of directors may be adjourned from time to time by the chairperson of the meeting, with the consent of the meeting, to a fixed time and place. Notice of any adjourned meeting of directors is not required to be given if the time and place of the adjourned meeting is announced at the original meeting. Any adjourned meeting shall be duly constituted if held in accordance with the terms of the adjournment and a quorum is present thereat. The directors who formed a quorum at the original meeting are not required to form the quorum at the adjourned meeting. If there is no quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated forthwith after its adjournment. Any business may be brought before or dealt with at any adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same. Alternatively, a meeting may be terminated by the chairperson with the consent of the meeting participants and any matters which were to have been brought before the meeting but not dealt with at the original meeting may be addressed at a subsequent meeting.
- 4.07 **Regular Meetings.** The Board may appoint a day or days in any month or months for regular meetings of the Board at a date and time to be named by the Board and a copy of any resolution of the Board fixing the place and time of regular meetings of the Board shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meetings. The Board shall hold no less than four (4) regular meetings per fiscal year, subject to the further provision that there shall be no less than (4) regular meetings held between annual general meetings of the Corporation.
- 4.08 **Quorum.** The number of directors which shall form a quorum for the transaction of business shall be that which is set out in the Letters Patent or a special resolution of the Corporation and, in the event of no such provision, a majority of the directors shall form a quorum for the transaction of business. Notwithstanding any vacancy among the directors, a quorum of directors may exercise all the powers of directors.
- 4.09 **Voting.** Every director is authorized to exercise one (1) vote. Questions arising at any meeting of directors shall be decided in the first instance on a show of hands by a majority of votes cast from those present at the meeting unless otherwise

specifically provided by the Act or by these By-laws. In the case of an equality of votes the chairperson of the meeting shall not have a second or casting vote.

At any meeting unless a poll is demanded a declaration by the chairperson of the meeting that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact.

A poll may be demanded either before or after any vote by show of hands by any person entitled to vote at the meeting. If at any meeting a poll is demanded on the election of a chairperson or on the question of adjournment it shall be taken forthwith without adjournment. If at any meeting a poll is demanded on any other question or as to the election of directors, the vote shall be taken by ballot in such manner and either at once, later in the meeting or after adjournment as the chairperson of the meeting directs. The result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. A demand for a poll may be withdrawn.

4.10 Electronic/Telephone Participation.

- (a) If all the directors of the Corporation consent, a director may participate in a meeting of directors or committee of directors by telephonic or electronic means that permit all participants to communicate adequately with each other, and a director participating in such meeting by such means is deemed to be present at that meeting.
- (b) At the commencement of each such meeting the secretary of the meeting will record the names of those persons in attendance in person or by way of electronic communications and the chairperson of each such meeting will determine whether quorum is present. The chairperson shall determine the method of recording votes thereat, provided that any director present may require all persons present to declare their votes individually. The Board shall take such reasonable precautions as may be necessary to ensure that such communications facilities are secure from unauthorized interception or monitoring.

4.11 Resolution in Lieu of Meeting. A resolution in writing signed by all of the directors entitled to vote on that resolution at a meeting of directors, or committees of directors, is as valid as if it had been passed at a meeting of directors or committee of directors, and the Corporation shall keep a copy of every such resolution with the minutes of the meetings of the directors.

4.12 Persons Entitled to be Present at Directors' Meetings. The only persons entitled to be present at a meeting of directors shall be those entitled to vote at the meeting, the *ex officio* directors (who shall not be entitled to vote) and such other persons who are entitled or required under any provision of the Act, Letters Patent or By-laws of the Corporation to be present at the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or by resolution of the

directors, provided that the directors may choose to hold any part of any meeting in camera and in so doing may exclude any such invitee therefrom.

ARTICLE FIVE POWERS OF DIRECTORS

5.01 Administer Affairs.

- (a) The Board shall manage or supervise the management of the activities and affairs of the Corporation and make or cause to be made for the Corporation, in its name, any kind of contract, document or instrument in writing which the Corporation may lawfully enter into and, save as hereinafter provided, generally, may exercise all such other powers and do all such other acts and things as the Corporation is by its Letters Patent or otherwise authorized to exercise and do.
- (b) Without in any way derogating from the foregoing, the directors are expressly empowered from time to time, to purchase, lease or otherwise dispose of shares, stocks, rights, warrants, options and other securities, lands, buildings and other property, movable or immovable, real or personal, or any right or interest therein owned by the Corporation, for such consideration and upon such terms and conditions as they may deem advisable.

5.02 Expenditures. The Board shall have power to authorize expenditures on behalf of the Corporation from time to time and may delegate, by resolution to an officer or officers of the Corporation, the right to employ and pay salaries to employees. The Board shall have the power to make expenditures for the purpose of furthering the objects of the Corporation. The Board shall have the power to enter into a trust arrangement with a trust company for the purpose of creating a trust fund in which the capital and interest may be made available for the benefit of promoting the interest of the Corporation in accordance with such terms as the Board may prescribe.

5.03 Borrowing Power. The Board may from time to time:

- (a) borrow money on the credit of the Corporation;
- (b) issue, sell or pledge debt obligations (including bonds, debentures, debenture stock, notes or other like liabilities whether secured or unsecured) of the Corporation;
- (c) charge, mortgage, hypothecate or pledge all or any currently owned or subsequently acquired real or personal, movable or immovable property of the Corporation, including book debts, rights, powers, franchises and undertakings, to secure any debt obligations or any money borrowed, or other debt or liability of the Corporation; and

- (d) delegate the powers conferred on the Board under this paragraph to such officer or officers of the Corporation and to such extent and in such manner as the directors shall determine.

The powers hereby conferred shall be deemed to be in supplement of and not in substitution for any powers to borrow money for the purposes of the Corporation possessed by its directors or officers independently of this By-law.

- 5.04 Rules and Regulations.** The Board may prescribe such rules and regulations not consistent with the By-law relating to the management and operation of the Corporation as it deems expedient.
- 5.05 Fund Raising.** The Board shall take such steps as it may deem requisite to enable the Corporation to acquire, accept, solicit or receive legacies, gifts, grants, settlements, bequests, endowments and donations of any kind whatsoever for the purpose of furthering the objects of the Corporation.
- 5.06 Agents and Employees.** The Board may appoint such agents and engage such employees as it shall deem necessary from time to time and such persons shall have such authority and shall perform such duties as shall be prescribed by the Board at the time of such appointment.
- 5.07 Remuneration of Agents and Employees.** The remuneration of agents, employees and committee members shall, subject to the other provisions of this By-law, be fixed by the Board by resolution.

ARTICLE SIX OFFICERS

- 6.01 Appointment.** The Board shall annually or more often as may be required, elect a Chair, and a Vice-Chair from among themselves, and from time to time and as often as deemed necessary by the Board, shall appoint an Executive Director who shall be an ex-officio member of the Board and shall not be entitled to vote at any meeting of the Board or at any meeting of the members of the Corporation. The Past Chair shall also be an officer, provided that he/she continues to be a member of the Board. The Board shall further appoint a Secretary who need not be a member of the Board. The Board may from time to time appoint such other officers and agents as it shall deem necessary who shall have such authority and shall perform such duties as may from time to time be prescribed by the Board. A director may be appointed to any office of the Corporation, other than Chief Executive Officer.
- 6.02 Powers and Duties.** All officers shall sign such contracts, documents or instruments in writing as require their respective signatures and shall respectively have and perform all powers and duties incident to their respective offices and such other powers and duties respectively as may from time to time be assigned to them by the Board. The duties of the officers shall include:

- (a) Chair. The Chair shall be the president of the Corporation and, when present, preside at all meetings of the members of the Corporation and of the Board of Directors.
- (b) Vice-Chair. The Vice-Chair shall be vested with all the powers and shall perform all the duties of the Chair in the absence or inability or refusal to act of the Chair.
- (c) Treasurer. The Treasurer, if appointed, shall carry out the duties of the treasurer of the Corporation generally, and shall keep or cause to be kept full and accurate accounts of all assets, liabilities, receipts and disbursements of the Corporation in the books to be kept for that purpose. The Treasurer shall perform such other duties as may be prescribed by the by-laws or the Board.
- (d) Executive Director. The Executive Director shall be charged with the general management and supervision of the affairs and operations of the Corporation unless otherwise determined by resolution of the Board.
- (e) Secretary. The Secretary shall give or cause to be given notices for all meetings of the Board or the Executive Committee, if any, and members when directed to do so and have charge of the corporate seal of the Corporation, the minute books of the Corporation and of the documents and registers referred to in Section 300 of the Act. The Executive Director shall act as Secretary of the Corporation.
- (e) Past-Chair. Upon a Chair concluding his or her term as Chair of the Board, he or she shall be appointed as the Past-Chair and shall possess and may exercise such powers and duties as may from time to time be assigned to him or her by the Board.

6.03 Vacancies. Notwithstanding the foregoing, each incumbent officer shall continue in office until the earlier of:

- (a) that officer's resignation, which resignation shall be effective at the time the written resignation is received by the Corporation or at the time specified in the resignation, whichever is later;
- (b) the appointment of a successor;
- (c) that officer ceasing to be a director or member if such is a necessary qualification of appointment;
- (d) the meeting at which the directors annually appoint the officers of the Corporation;
- (e) that officer's removal; and,
- (f) that officer's death.

If the office of any officer of the Corporation shall be or become vacant the Board by resolution may appoint a person to fill such vacancy.

- 6.04 **Remuneration of Officers.** The remuneration of all officers appointed by the Board shall be determined from time to time by resolution of the Board. All officers shall be entitled to be reimbursed for reasonable expenses incurred in the performance of the officer's duties.
- 6.05 **Removal of Officers.** All officers, in the absence of agreement to the contrary, shall be subject to removal by resolution of the Board at any time, with or without cause.
- 6.06 **Duties of Officers may be Delegated.** In case of the absence or inability to act of any officer of the Corporation or for any other reason that the Board may deem sufficient, the Board may delegate all or any of the powers of any such officer to any other officer or to any director for the time being, provided that the powers of the Chief Executive Officer shall not be delegated to any other director.

ARTICLE SEVEN FOR THE PROTECTION OF DIRECTORS AND OFFICERS

- 7.01 **For the Protection of Directors and Officers.** Except as otherwise provided in the Act, no director or officer for the time being of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Corporation shall be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person including any person with whom any moneys, securities or effects shall be lodged or deposited or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of the director's or officer's respective office or trust or in relation thereto unless the same shall happen by or through the director's or officer's own wilful neglect, gross negligence, or bad faith.

ARTICLE EIGHT INDEMNITIES TO DIRECTORS AND OTHERS

- 8.01 **Indemnities to Directors and Others.** Pursuant to Section 80 of the Act, every director or officer of the Corporation or other person who has undertaken or is about

to undertake any liability on behalf of the Corporation or any corporation controlled by it and their heirs, executors and administrators, and estate and effects, respectively, shall from time to time and at all times be indemnified and saved harmless out of the funds of the Corporation, from and against:

- (a) all costs, charges and expenses whatsoever which such director, officer or other person reasonably sustains or incurs in or about any action, suit or proceeding that is brought, commenced or prosecuted against the director, officer or other person for or in respect of any act, deed matter or thing whatever, made, done or permitted by them, in or about the execution of the duties of such office or in respect of any such liability; and
- (b) all other costs, charges and expenses which the director, officer or other person reasonably sustains or incurs in or about or in relation to the affairs thereof, except such costs, charges or expenses as are occasioned by their own willful neglect or default, gross negligence, or bad faith.

The Corporation shall also indemnify any such person in such other circumstances as the Act or law permits or requires. Nothing in this By-law shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this By-law to the extent permitted by the Act or law.

ARTICLE NINE INTERESTED DIRECTOR CONTRACTS

9.01 Conflict of Interest.

- (a) A director who is in any way directly or indirectly interested in a contract or proposed contract with the Corporation shall make the disclosure required by the Act and take any further action as required by the Act. Except as provided by the Act, no such director shall attend any part of a meeting of the Board during which the contract or transaction is discussed or vote on any resolution to approve any such contract. Where a director declares a conflict and removes him or herself from a meeting, the minutes shall reflect same.
- (b) In supplement of and not by way of limitation upon any rights conferred upon directors by Section 71 of the Act and specifically subject to the provisions contained in that section, it is declared that no director shall be disqualified by any such office from, or vacate any such office:
 - (i) by reason of holding any office or place of profit under the Corporation or under any corporation in which the Corporation shall be a member;
 - (ii) by reason of being otherwise in any way directly or indirectly interested or contracting with the Corporation as vendor, purchaser or otherwise; or

- (iii) being concerned in any contract or arrangement made or proposed to be entered into with the Corporation in which the director is in any way directly or indirectly interested as vendor, purchaser or otherwise.
- (c) Subject to compliance with the Act, a contract or transaction for which disclosure is required under Subsection 71(1) of the Act is not void or voidable, and the director is not accountable to the Corporation or its members or creditors for any profit or gain realized from the contract or transaction, by reason only of the director holding that office or of the fiduciary relationship established thereby.

9.02 Confirmation by Members. The board of directors in its discretion may submit any contract, act or transaction with the Corporation for approval or ratification at any annual meeting of the members or at any general meeting of the members called for the purpose of considering the same and, subject to the provisions of Section 71 of the Act, any such contract, act or transaction that shall be approved or ratified or confirmed by a resolution passed by a majority of the votes cast at any such meeting (unless any different or additional requirement is imposed by the Act or by the Letters Patent) shall be as valid and as binding upon the Corporation and upon all the members as though it had been approved, ratified or confirmed by every member of the Corporation.

ARTICLE TEN MEMBERS

10.01 Closed Membership. Membership in the Corporation is restricted to the directors other than ex officio directors, and each director other than an ex officio director shall automatically become a member of the Corporation upon becoming a director.

10.02 Termination of Membership. Membership in the Corporation is not transferable and lapses and ceases to exist:

- (a) if the member ceases to be a director of the Corporation;
- (b) if the member becomes bankrupt or suspends payment of debts generally or compounds with creditors or makes an authorized assignment or is declared insolvent;
- (c) if the member is found to be a mentally incompetent person or becomes of unsound mind;
- (d) if the member by notice in writing to the Corporation resigns as a member, which resignation shall be effective at the time it is received by the Corporation or at the time specified in the notice, whichever is later;

- (e) if at a special meeting of members, a resolution is passed to remove the member by at least two-thirds (2/3) of the votes cast at the special meeting; or
- (f) if the member dies.

ARTICLE ELEVEN MEMBERS' MEETINGS

- 11.01 Annual Meeting.** Subject to compliance with Section 293 of the Act, the annual meeting of the members shall be held on such day in each year and at such time as the directors may by resolution determine at any place within Ontario or, in the absence of such determination, at the place where the head office of the Corporation is located.
- 11.02 Special Meetings.** Other meetings of members may be convened at any time by the Chair or, where the Chair is unavailable, the Vice-Chair, or as otherwise may be permitted by the Act. The Secretary, when directed or authorized by any of such officers, shall convene a meeting of members.
- 11.03 Notice.** Not less than ten (10) days' written notice of any annual or special meeting of members, or such longer period as may be required by law, shall be given in the manner specified by this By-law to each member and other party entitled to attend such meeting. Notice of any meeting where special business will be transacted should contain sufficient information to permit the member to form a reasoned judgment on the decision to be taken and state the text of any special resolution to be submitted to the meeting.
- 11.04 Waiver of Notice.** A member and any other person entitled to attend a meeting of members may in any manner waive notice of a meeting of members and attendance of any such person at a meeting of members shall constitute a waiver of notice of the meeting except where such person attends a meeting for the express purposes of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.
- 11.05 Error or Omission in Giving Notice.** No error or accidental omission in giving notice of any annual or special meeting or any adjourned meeting of the members of the Corporation shall invalidate any resolution passed or any proceedings taken at any meeting of members.
- 11.06 Quorum.** A quorum at any meeting of the members (unless a greater number of members are required to be present by the Act, Letters Patent or By-laws) shall consist of a majority of the members. No business shall be transacted at any meeting unless the requisite quorum be present at the time of the transaction of such business. If a quorum is not present at the time appointed for a meeting of members or within such reasonable time thereafter as the members present may determine, the persons present and entitled to vote may adjourn the meeting to a fixed time and place but may not transact any other business and the provisions of this By-law with regard to notice shall apply to such adjournment.

- 11.07 **Chairperson of the Meeting.** In the event that the Chair is absent from a meeting, the Vice-Chair shall act as chairperson for any such meeting. Where both the Chair and Vice-Chair are absent, the persons who are present and entitled to vote at such meeting shall choose another director as chairperson of the meeting.
- 11.08 **Adjournment.** Any meeting of members may be adjourned from time to time by the chairperson of the meeting, with the consent of the meeting, to a fixed time and place. Notice of any adjourned meeting of members is not required to be given if the time and place of the adjourned meeting is announced at the original meeting. Any adjourned meeting shall be duly constituted if held in accordance with the terms of the adjournment and a quorum is present thereat. The members who formed a quorum at the original meeting are not required to form the quorum at the adjourned meeting. If there is no quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated forthwith after its adjournment. Any business may be brought before or dealt with at any adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.
- 11.09 **Voting of Members.** Every member is authorized to exercise one (1) vote. Questions arising at any meeting of members shall be decided in the first instance on a show of hands by a majority of votes cast from those present at the meeting unless otherwise specifically provided by the Act or by these By-laws. In the case of an equality of votes the chairperson of the meeting shall both on a show of hands and at a poll have a second or casting vote in addition to the vote or votes to which the chairperson may be otherwise entitled.

At any meeting unless a poll is demanded a declaration by the chairperson of the meeting that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact.

A poll may be demanded either before or after any vote by show of hands by any person entitled to vote at the meeting. If at any meeting a poll is demanded on the election of a chairperson or on the question of adjournment it shall be taken forthwith without adjournment. If at any meeting a poll is demanded on any other question or as to the election of directors, the vote shall be taken by ballot in such manner and either at once, later in the meeting or after adjournment as the chairperson of the meeting directs. The result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. A demand for a poll may be withdrawn.

- 11.10 **Participation by Electronic Means at Members' Meetings.** If the Corporation chooses to make available a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during a meeting of members, any person entitled to attend such meeting may participate in the meeting by means of such telephonic, electronic or other communication facility in the manner provided by the Act. A person participating in a meeting by

such means is deemed to be present at the meeting. A member entitled to vote at a meeting of members may vote by mailed-in ballot or by means of a telephonic, electronic or other communication facility if the Corporation has a system that:

- (a) enables the votes to be gathered in a manner that permits their subsequent verification; and,
- (b) permits the tallied votes to be presented to the Corporation without it being possible for the Corporation to identify how each member voted.

11.11 Resolutions in Lieu of Meeting. A resolution in writing signed by all of the members entitled to vote on that resolution at a meeting of members is as valid as if it had been passed at a meeting of members. The Corporation shall keep a copy of every such resolution with the minutes of the meetings of members.

11.12 Persons Entitled to be Present at Members' Meetings. The only persons entitled to be present at a meeting of members shall be those entitled to vote at the meeting, the ex officio directors (who shall not be entitled to vote) and the public accountant of the Corporation and such other persons who are entitled or required under any provision of the Act, Letters Patent or By-laws of the Corporation to be present at the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or by resolution of the members, provided that the members may choose to hold any part of any meeting in camera and in so doing may exclude any such invitee therefrom.

ARTICLE TWELVE

CUSTODY AND VOTING OF SHARES AND SECURITIES

12.01 Voting Shares and Securities of other Corporations. All of the shares or other securities carrying voting rights of any company or corporation held from time to time by the Corporation may be voted at any and all meetings of shareholders, bondholders, debenture holders or holders of other securities (as the case may be) of such company or corporation and in such manner and by such person or persons as the Board shall from time to time determine. The duly authorized signing officers of the Corporation may also from time to time execute and deliver for and on behalf of the Corporation proxies and/or arrange for the issuance of voting certificates and/or other evidence of the right to vote in such names as they may determine without the necessity of a resolution or other action by the Board.

12.02 Custody of Securities. All shares and securities owned by the Corporation shall be lodged (in the name of the Corporation) with a chartered bank or a trust company or in a safety deposit box or, if so authorized by resolution of the Board, with such other depositories or in such other manner as may be determined from time to time by the Board.

All share certificates, bonds, debentures, notes or other obligations belonging to the Corporation may be issued or held in the name of a nominee or nominees of the Corporation (and if issued or held in the names of more than one nominee shall be

held in the names of the nominees jointly with the right of survivorship) and shall be endorsed in blank with endorsement guaranteed in order to enable transfer to be completed and registration to be effected.

ARTICLE THIRTEEN EXECUTION OF INSTRUMENTS

- 13.01 Execution of Instruments.** Unless otherwise determined or delegated by resolution of the Board of Directors, contracts, documents or instruments in writing requiring the signature of the Corporation may be signed by any one officer of the Corporation, and all contracts, documents and instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The Board shall have power from time to time by resolution to appoint any officer or officers or any person or persons on behalf of the Corporation either to sign contracts, documents and instruments in writing generally or to sign specific contracts, documents or instruments in writing.

The term "contracts, documents or instruments in writing" as used in this By-law shall include but not be limited to deeds, mortgages, hypothecs, charges, conveyances, transfers and assignments of property real or personal, immovable or movable, agreements, releases, receipts and discharges for the payment of money or other obligations, conveyances, transfers and assignments of shares, share warrants, stocks, bonds, debentures or other securities and all paper writings.

Any person authorized to sign any document may affix the corporate seal (if any) to the document. Any signing officer may certify a copy of any instrument, resolution, By-law or other document of the Corporation to be a true copy thereof.

ARTICLE FOURTEEN CHEQUES, DRAFTS, NOTES, ETC.

- 14.01 Cheques, Drafts, Notes. Etc.** All cheques, drafts or orders for the payment of money and all notes and acceptances and bills of exchange shall be signed by such officer or officers or person or persons, whether or not officers of the Corporation, and in such manner as the Board may from time to time designate by resolution. Unless otherwise determined by resolution of the Board: (a) where a cheque is under \$10,000.00, any two members of senior management as designated by the Board; and (b) for cheques equal to or greater than \$10,000.00, by any one member of senior management and one voting director.

ARTICLE FIFTEEN NOTICES

- 15.01 Service.** Any notice or other document required by the Act, the Regulations, the Letters Patent, or the By-laws to be sent to any member or director or to the auditor shall be delivered personally or sent by prepaid mail or by email to any such member or director at their latest address as shown in the records of the Corporation and to the auditor at its business address, or if no address be given therein then to

the last address of such member or director known to the Secretary; provided always that notice may be waived or the time for the notice may be waived or abridged at any time with the consent in writing of the person entitled thereto.

- 15.02 Signature to Notices.** The signature of any director or officer of the Corporation to any notice or document to be given by the Corporation may be written, stamped, typewritten or printed or partly written, stamped, typewritten or printed.
- 15.03 Computation of Time.** Where a given number of days' notice or notice extending over a period is required to be given under the By-laws or Letters Patent of the Corporation the day of service or posting of the notice shall not, unless it is otherwise provided be counted in such number of days or other period.
- 15.04 Proof of Service.** With respect to every notice or other document sent by post it shall be sufficient to prove that the envelope or wrapper containing the notice or other document was properly addressed as provided in this By-law and put into a Post Office or into a letter box. A certificate of an officer of the Corporation in office at the time of the making of the certificate as to facts in relation to the sending or delivery of any notice or other document to any member, director, officer or auditor or publication of any notice or other document shall be conclusive evidence thereof and shall be binding on every member, director, officer or auditor of the Corporation as the case may be.

ARTICLE SIXTEEN AUDITORS

- 16.01 Auditors.** Unless the Corporation qualifies under an exemption in Section 96.1 of the Act, the members shall at each annual meeting appoint an auditor to audit the accounts of the Corporation for report to members who shall hold office until the next following annual meeting; provided, however, that the Board shall fill any casual vacancy in the office of the auditor. The remuneration of the auditor may be fixed by the members or, if not so fixed, by the Board. The members may by resolution passed by at least two-thirds of the votes cast at a meeting of which notice of intention to pass the resolution has been given, remove any auditor before the expiration of the auditor's term of office and shall by a majority of the votes cast at that meeting appoint another auditor in such auditor's stead for the remainder of the term.

ARTICLE SEVENTEEN FINANCIAL YEAR

- 17.01 Financial Year.** Subject to the Act, the financial year of the Corporation shall terminate on the 31st day of December in each year or on such other date as the directors may from time to time by resolution determine.

ARTICLE EIGHTEEN DISTRIBUTION ON DISSOLUTION OR WIND-UP

18.01 In the event of dissolution or winding-up of the Corporation, all of its remaining assets after payment of liabilities shall be distributed to one or more charities or qualified donees registered as such in accordance with the *Income Tax Act* (Canada) and who are considered qualified donees thereunder, which may include the City of Hamilton.

**ARTICLE NINETEEN
ENACTMENT AND AMENDMENT OF BY-LAWS**

19.01 By-laws of the Corporation may be enacted, and such By-laws repealed or amended, by a majority vote of the authorized number of directors and confirmed by the members at a meeting duly called for the purpose.

**ARTICLE TWENTY
REPEAL OF PRIOR BYLAWS**

20.01 All by-laws previously enacted by the Corporation, including all amendments thereto, are hereby repealed, such that this By-law, as of the date of its enactment by the directors, is the only by-law of the Corporation in force and effect.

CERTIFIED to be By-Law No. 2 of the Corporation, as enacted by the directors of the Corporation and confirmed by the members of the Corporation this ____ day of _____, 2013.

Chair

Secretary

DARTS 2019 Draft Budget A

	2018 FORECAST / ACTUAL	2019 MAINTENANCE BUDGET
SERVICE RELATED EXPENDITURES		
DRIVERS WAGES	4,914,982	4,871,446
SUBCONTRACT	7,678,540	8,386,606
EMPLOYEE BENEFITS	2,297,716	2,601,768
GAS AND OIL	823,291	618,483
VEHICLE REPAIR MATERIALS	490,011	508,083
VEHICLE LEASE	1,514,340	1,510,049
OPERATIONS SALARIES	1,191,422	1,335,138
MAINTENANCE LABOUR	672,942	719,422
INSURANCE	507,024	666,994
COMMUNICATIONS/RADIO	179,702	165,591
UNIFORMS	17,421	23,405
EMPLOYEE TRAINING	20,996	25,440
LICENSES AND PERMITS	16,163	14,285
SUB-TOTAL	20,324,550	21,446,710
OVERHEAD		
ADMINISTRATION SALARIES	836,147	899,912
FACILITY COSTS	160,000	160,000
TELEPHONE	8,642	9,158
LEGAL AND AUDIT	147,719	147,552
INFORMATION TECHNOLOGY	236,554	225,197
MISCELLANEOUS - ADMIN / DUES / MEETINGS	15,602	31,000
POSTAGE	11,096	10,685
PRINTING	16,705	16,618
OFFICE SUPPLIES	9,174	10,176
OFFICE EQUIPMENT	5,117	6,085
BANK CHARGES	10,125	9,600
VEHICLE & TRAVEL	26,017	26,254
PUBLIC RELATIONS/CONSULTING	12,802	14,246
SUB-TOTAL	1,495,701	1,566,484
TOTAL EXPENDITURES	21,820,251	23,013,194
REVENUES		
PASSENGER FARES INCLUDES THE FOLLOWING:		
AGENCIES, PASSENGERS	462,365	484,931
FORECASTED HSR PASS/TICKET REVENUES	708,178	712,616
CHARTERS, INTEREST REVENUE	27,702	22,500
SUB-TOTAL	1,198,245	1,220,047
Total Municipal Contribution	20,309,372	21,793,147
TOTAL REVENUES	21,507,617	23,013,194
VARIANCE to BUDGET	(312,634)	-
DARTS TRIPS		
- DARTS WC	192,327	209,239
-DARTS AMB	40,476	81,371
-DARTS VANS	148,027	56,687

		TOTAL DARTS	380,830	347,296
SUB-CONTRACT				
VETS	-Ambulatory		196,721	235,000
	-MV1		50,569	10,004
HCAB	-Ambulatory		28,873	22,000
HTOWN	-Ambulatory		116,740	172,926
TOTAL SUBCONTRACT			392,903	439,930
TOTAL TRIPS			773,733	787,226
Cost per Trip (overall weighted average)			\$ 29.40	\$ 29.59
Cost per Trip (Municipal Contribution)			\$ 26.65	\$ 27.68
DEDICATED SERVICE				
	- DEDICATED SERVICE HOURS		176,672	163,109
	- DEDICATED SERVICE TRIPS / HOUR - BUS		2.43	2.40
	- DEDICATED SERVICE TRIPS / HOUR - PROMASTER		2.17	2.15
	- DEDICATED SERVICE TRIPS / HOUR - MV1		1.92	1.95
	- DEDICATED SERVICE TRIPS / HOUR - SIENNA		1.93	1.95
	- DEDICATED SERVICE TRIPS / HOUR - VAN		2.24	2.25
DEDICATED SERVICE COST / HOUR			\$ 80.05	\$ 89.67
FLEET SIZE Non-AMB Vehicles			48	56
FLEET SIZE AMB Vehicles			51	30
ADDITIONAL DRIVERS service			46	76

% Inc/Dec

ACTUAL /
BUDGET

Variance to
2018 Actual

-0.89%	-43,536	
9.22%	708,066	cost per trip increase
13.23%	304,052	
-24.88%	-204,808	
3.69%	18,072	
-0.28%	-4,290	
12.06%	143,716	
6.91%	46,480	
31.55%	159,970	5% increase & claim closures
-7.85%	-14,111	
34.35%	5,984	winter coats due
21.16%	4,444	seminars, payroll
-11.62%	-1,878	
5.52%	1,122,160	

7.63%	63,765	increase clerical
0.00%	0	
5.98%	516	
-0.11%	-167	
-4.80%	-11,357	
98.69%	15,398	acc. doors (7) & janitorial
-3.71%	-411	
-0.52%	-87	
10.92%	1,002	equipment cost increases
18.92%	968	
-5.19%	-525	
0.91%	237	
11.28%	1,444	
4.73%	70,783	
5.47%	1,192,943	

4.88%	22,567	
0.63%	4,438	
-18.78%	-5,202	
1.82%	21,802	

7.31%	1,483,774	
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7.00%	1,505,577	
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8.79%		
101.03%		
-61.71%		

-8.81% -33,534

19.46%

-80.22%

-23.80%

48.13%

1.74% 13,493

0.62%

3.87% \$ 1.03

-7.68% -13,563

-1.23%

-0.92%

1.56%

1.04%

0.45%

12.03%

16.67%

-41.18%

65.22%