

ALZHEIMER SOCIETY OF DURHAM REGION

FINANCIAL STATEMENTS

MARCH 31, 2019



*Smith
Chappell
Marsh
Vilander LLP Chartered Accountants*

*H. Howard Smith, FCPA (Retired)
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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
ALZHEIMER SOCIETY OF DURHAM REGION
WHITBY, ONTARIO

Qualified Opinion

We have audited the financial statements of Alzheimer Society of Durham Region (the Organization), which comprise the statement of financial position as at March 31, 2019 and March 31, 2018, and the statements of operations, changes in net assets and cash flows for the years then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019 and March 31, 2018, and the results of its operations and its cash flows for the years then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018, and net assets as at April 1 and March 31 for both the 2019 and 2018 years.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Smith Chappell Mausol Vilamda LLP

Chartered Accountants, Licensed Public Accountants

Oshawa, Ontario
June 17, 2019

ALZHEIMER SOCIETY OF DURHAM REGION
STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31,

2019

2018

ASSETS

Current

Cash	\$ 220,632	\$ 349,046
Accounts receivable	32,573	51,304
Prepaid expenses	29,471	18,829
Investments (Note 3)	<u>2,647,526</u>	<u>2,529,979</u>
	2,930,202	2,949,158

Capital Assets - at net book value (Notes 2 and 6)

	<u>183,888</u>	<u>149,849</u>
	<u>\$ 3,114,090</u>	<u>\$ 3,099,007</u>

LIABILITIES

Current

Accounts payable	\$ 85,737	\$ 69,812
Due to Central East LHIN (Note 5)	-	42,758
Government remittances payable	9,461	9,576
Deferred revenue (Note 2)	<u>97,313</u>	<u>164,392</u>
	<u>192,511</u>	<u>286,538</u>

Deferred Contributions Related to Capital Assets (Note 7)

	<u>85,190</u>	<u>45,500</u>
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NET ASSETS

Invested in Capital Assets (Note 8)	98,698	104,349
Internally Restricted Funds (Note 4)	2,471,658	2,479,560
Unrestricted Funds	<u>266,033</u>	<u>183,060</u>
	<u>2,836,389</u>	<u>2,766,969</u>
	<u>\$ 3,114,090</u>	<u>\$ 3,099,007</u>

Approved On Behalf Of The Board Of Directors:

Megan Hays Director

[Signature] Director

ALZHEIMER SOCIETY OF DURHAM REGION
STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31,

2019

2018

Invested in Capital Assets

Opening balance	\$ 104,349	\$ 94,232
Transfers to/from operations		
Amortization of capital assets	(34,950)	(23,153)
Capital asset acquisitions	68,989	26,770
Amortization of deferred contributions (Note 7)	25,310	6,500
Amounts financed by deferred contributions (Note 7)	<u>(65,000)</u>	<u>-</u>
Closing balance	\$ <u>98,698</u>	\$ <u>104,349</u>

Internally Restricted Funds (Note 4) (Schedule)

Opening balance	\$ 2,479,560	\$ 2,490,000
Transfers to/from operations	<u>(7,902)</u>	<u>(10,440)</u>
Closing balance	\$ <u>2,471,658</u>	\$ <u>2,479,560</u>

Unrestricted Funds

Opening balance	\$ 183,060	\$ 78,006
Excess (Deficiency) of Revenue over Expenditures	<u>69,420</u>	<u>104,731</u>
	252,480	182,737
Transfers (to) from Internally Restricted Funds	7,902	10,440
Transfers to/from Invested in Capital Assets - net	<u>5,651</u>	<u>(10,117)</u>
Closing balance	\$ <u>266,033</u>	\$ <u>183,060</u>

ALZHEIMER SOCIETY OF DURHAM REGION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31,

2019

2018

Revenue

Central East LHIN grants (Note 5)	\$ 1,859,616	\$ 1,639,979
Alzheimer Society of Ontario	11,352	9,815
Ontario Trillium Foundation	156,730	134,554
Government of Canada - Canada Summer Jobs Grants	7,543	5,370
Memorial gifts	20,954	30,262
General donations	83,857	76,110
General fundraising	114,401	133,491
Investment income	149,707	189,424
Seminar and workshop income	107,310	65,062
Realized gain (loss) on investments	99,734	7,859
Unrealized gain (loss) on investments	(27,323)	529
Amortization of deferred contributions (Note 7)	58,678	(16,988)
Memberships	25,310	6,500
	<u>1,290</u>	<u>650</u>

2,669,159

2,282,617

Expenditures

Wages and benefits	1,684,588	1,408,805
Occupancy	114,567	93,342
Research donations	10,000	10,000
Contracted out services	337,368	338,184
General fundraising	5,727	583
Office and general	94,846	90,138
Professional fees	144,341	105,372
Public relations	34,914	12,106
Professional development	15,174	8,993
Telephone	12,679	12,272
Seminars and workshops	10,960	4,286
Board and staff travel	15,744	14,988
Insurance	3,785	3,205
Equipment maintenance	1,602	639
Bank charges	6,325	6,079
Investment fees	41,389	23,422
Program supplies	30,780	22,319
Amortization	34,950	23,153

2,599,739

2,177,886

Earnings before amount refundable

69,420

104,731

Amount refundable to Central East LHIN

-

-

Excess of Revenue Over Expenditures

\$ 69,420

\$ 104,731

ALZHEIMER SOCIETY OF DURHAM REGION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31,

2019

2018

Operating Activities

Excess of revenue over expenditures	\$ 69,420	\$ 104,731
Charges (credits) to income not involving cash		
Amortization	34,950	23,153
Unrealized (gain) loss on investments	(58,678)	16,988
Amortization of deferred contributions	(25,310)	(6,500)
Provided from (used for) working capital (Note 9)	<u>(85,937)</u>	<u>(132,261)</u>
	<u>(65,555)</u>	<u>6,111</u>

Investing Activities

Additions to capital assets	(68,989)	(26,770)
Amounts financed by deferred contributions	65,000	-
(Acquisition) disposition of investments	<u>(58,870)</u>	<u>(282,373)</u>
	<u>(62,859)</u>	<u>(309,143)</u>

Increase (Decrease) In Cash

(128,414) (303,032)

Cash, beginning of year

349,046 652,078

Cash, end of year

\$ 220,632 \$ 349,046

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

1. Purpose of the Society

The operations of the Alzheimer Society of Durham Region shall be carried on without purpose of gain for its members and any profits or other accretions to the Society shall be used in promoting its objectives. The Society was incorporated under the Ontario Corporations Act on November 16, 1986 as a corporation without share capital and is a registered charity, which is exempt from tax under the provisions of the Income Tax Act.

The primary objectives are:

- a) To provide family support through regular meetings, written information and referrals to the most appropriate sources of help in the community.
- b) To aid education through provision of educational information and programs to the general public, medical care staff, and members of the professional and scientific community.
- c) To promote research into the cause, control and cure of Alzheimer Disease through the raising of funds to assist in the funding of such research.

2. Significant Accounting Policies

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations and include the following significant accounting policies:

Revenue Recognition

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

Donations and bequests are recorded in the financial statements only as funds are received. Government funding is recognized according to the contract. Fundraising revenue is recorded when the event is held. Seminar and workshop revenue is recorded when the event is held.

Deferred Revenue

Certain revenues are received during the year for events to be held or programs to be completed in the next fiscal year. These revenues are deferred to the next year's operation.

Capital Assets

The policy of the Society is to capitalize purchases of capital assets at their cost.

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

2. Significant Accounting Policies (continued)

Amortization

Amortization is recorded on the straight-line basis over the following periods:

Computer equipment	3 years
Office equipment	5 years
Furniture and fixtures	10 years
Leasehold improvements	life of lease

Donated Goods and Services

Contributed materials and services are recorded at fair market value as part of general revenue and expenditures when fair market value can be reasonably estimated and when materials and services are used in the normal course of the organization's operations and would otherwise have been purchased. Donated goods provided for fundraising purposes are not recognized in the financial statements, unless those goods would otherwise have been purchased.

The Society would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Because of the difficulty in determining their fair value, these contributed services are not recognized in the financial statements.

Use of Estimates

The preparation of financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results may differ from those estimates.

Allocation of Expenses

The Society provides various programs on behalf of the Central East Local Health Integration Network. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program. The Society also incurs a number of general support expenses that are common to the administration of the Society and each of its programs.

The Society allocates certain of its general support expenses by identifying the appropriate basis of allocating each component. The Society allocates these expenses to the departments in accordance with the approved budgets.

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

2. Significant Accounting Policies (continued)

Financial Instruments

Measurement of financial instruments

The organization initially measures its financial assets at fair value.

The organization subsequently measures all 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 measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable, due to Central East LHIN and government remittances payable.

Financial assets measured at fair value include investments held with an investment broker.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

The organization recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

3. Investments

	<u>2019</u>	<u>2018</u>
Investments at Cost:		
Cash balance in brokers account	\$ 111,563	\$ 61,312
BMO Short Term Investment, 1.80%, due November 18, 2019	301,953	-
BMO GIC, 2.50%, due November 19, 2019	201,808	-
Bank of Montreal GIC, 1.35%, due September 28, 2018	-	500,000
Investments at Fair Market Value:		
Bonds and preferred shares	774,733	693,171
Canadian equities	658,167	606,946
U.S. equities	220,145	198,890
International equities	<u>379,157</u>	<u>469,660</u>
	<u>\$ 2,647,526</u>	<u>\$ 2,529,979</u>

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

4. Internally Restricted Funds

Financial Stability Fund

The Society has established a fund to maintain at a level of 3 – 6 months of operating costs. The funds will be held in order to respond to any unforeseen circumstances that result in a significant loss of operating funds through the elimination of one or more of the agency's funding streams.

Innovation Fund

The Society has established a fund to support opportunities for new and innovative programs and services including, but not limited to recreational programs, caregiver respite programs and Dementia Friendly Community programming.

Growth & Service Excellence Fund

The Society has established a fund to support the growth of existing programs as well as activities that will support the increasing demand for service excellence. This fund will be utilized for service expansion, digital and physical space expansion, community partnerships and program evaluation and accreditation.

Research Fund

The Society has established a fund to support an annual contribution towards dementia research through a variety of venues including the Alzheimer Society of Canada Research program (contributions made via Alzheimer Society of Ontario) and other local or regional research initiatives.

Sustainability Fund

The Society has established a fund to be held in perpetuity and only the interest generated on the capital will be available for use for programs and services.

5. Central East LHIN Grants

The Central East Local Health Integration Network (LHIN) provides ongoing funding to the Society for the Education and Family Support, Public Education, First Links and Caregiver Support Programs. Each year, any excess funds will be repaid to the Central East LHIN. Funding received from the Central East LHIN was less than expenditures with respect to the current year and with respect to the 2018 fiscal year and as such no amounts were refundable with respect to the 2019 and 2018 fiscal years.

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

6. Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2019</u>	<u>2018</u>
Office equipment	\$ 22,434	\$ 17,759	\$ 4,675	\$ 6,236
Furniture and fixtures	38,778	10,713	28,065	12,863
Computer	60,609	16,680	43,929	8,924
Leasehold improvements	<u>170,081</u>	<u>62,862</u>	<u>107,219</u>	<u>121,826</u>
	<u>\$ 291,902</u>	<u>\$ 108,014</u>	<u>\$ 183,888</u>	<u>\$ 149,849</u>

7. Deferred Contributions Related to Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	<u>2019</u>	<u>2018</u>
Opening balance	\$ 45,500	\$ 52,000
Add: Contributions received during the year	<u>65,000</u>	<u>-</u>
	110,500	52,000
Less: Amount amortized to revenue	<u>(25,310)</u>	<u>(6,500)</u>
Closing balance	<u>\$ 85,190</u>	<u>\$ 45,500</u>

8. Invested in Capital Assets

Invested in Capital Assets is calculated as follows:

	<u>2019</u>	<u>2018</u>
Capital Assets	\$ 183,888	\$ 149,849
Less: Amount financed by deferred contributions	<u>(85,190)</u>	<u>(45,500)</u>
	<u>\$ 98,698</u>	<u>\$ 104,349</u>

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

9. Cash Provided From (Used For) Working Capital

Cash otherwise available from operating activities is influenced by increases or decreases in the following items:

	<u>2019</u>	<u>2018</u>
Accounts receivable	\$ 18,731	\$ (37,233)
Prepaid expenses	(10,642)	(2,182)
Accounts payable	15,926	11,440
Government remittances payable	(115)	2,039
Due to Central East LHIN	(42,758)	(229,947)
Deferred revenue	<u>(67,079)</u>	<u>123,622</u>
	<u>\$ (85,937)</u>	<u>\$ (132,261)</u>

10. Commitment

The Society has entered into a lease for a new operating premises which started July 1, 2015 and expires on June 30, 2025. The minimum rent payable will be \$40,180 per annum plus applicable taxes until June 30, 2020 when the minimum rent will increase to \$44,772 per annum plus applicable taxes until June 30, 2025. The first six months of the term were minimum rent free to assist with relocation and setting up. Additional rent was paid during this period. Additional rent including realty taxes and common area maintenance is estimated to be \$11.55 per square foot based on 4,592 square feet.

The Society has entered into a lease for additional operating space which started July 1, 2018 and expires on June 30, 2025. The minimum rent payable is \$35,926 per annum plus applicable taxes until June 30, 2023 when the minimum rent will increase to \$39,192 per annum plus applicable taxes until June 30, 2025. Additional rent including realty taxes and common area maintenance is estimated to be \$11.55 per square foot based on 3,266 square feet.

The Society has entered into a lease for computers and maintenance which expires in March 2022. The lease payment is \$3,393 per month plus applicable taxes.

The following payments are required over the next 5 years based on negotiated minimum rent and using estimates for realty tax and common area maintenance:

2020	\$ 206,516
2021	\$ 206,088
2022	\$ 207,236
2023	\$ 171,458
2024	\$ 173,907

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

11. Financial Instruments

Risks and concentrations

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentration's risk exposure and concentrations at March 31, 2019.

Liquidity risk

Liquidity risk is defined as the risk that the organization may not be able to meet or settle its obligations as they become due. The organization has taken steps to ensure that it will have sufficient working capital to meet its obligations.

Credit risk

Credit risk arises from the potential that counterparties including clients will fail to perform their obligations. The organization is subject to credit risk through its receivables. Account monitoring procedures are utilized to minimize risk of loss.

Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The organization is subject to interest rate risk through their investments. The organization has formal policies and procedures that establish target asset mix.

Market risk

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose the organization to a risk of loss. The organization has formal policies and procedures that establish target asset mix.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to other price risk through its investments. The organization has formal policies and procedures that establish target asset mix.

12. Economic Dependence

In common with similar publicly funded agencies, the organization derives the majority of its revenue from the Central East LHIN.

13. Prior Year's Figures

Certain of the prior year's figures have been reclassified to conform to the presentation adopted in the current year.

**ALZHEIMER SOCIETY OF DURHAM REGION
 SCHEDULE OF INTERNALLY RESTRICTED FUNDS
 FOR THE YEAR ENDED MARCH 31, 2019**

	Innovation Fund	Growth & Service Excellence Fund	Research Fund	Financial Stability (Reserve) Fund	Sustainability	Total
Opening balance	\$ 589,560	\$ 700,000	\$ 50,000	\$ 640,000	\$ 500,000	\$ 2,479,560
Transfers to/from operations	-	-	-	-	-	-
Research donations	-	-	(7,902)	-	-	(7,902)
Closing balance	<u>\$ 589,560</u>	<u>\$ 700,000</u>	<u>\$ 42,098</u>	<u>\$ 640,000</u>	<u>\$ 500,000</u>	<u>\$ 2,471,658</u>