

ALZHEIMER SOCIETY OF DURHAM REGION

FINANCIAL STATEMENTS

MARCH 31, 2017



**Smith
Chappell
Marsh
Vilander** *LLP Chartered Accountants*

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INDEPENDENT AUDITOR'S REPORT

To the Members of:
Alzheimer Society of Durham Region

We have audited the accompanying statement of financial position of Alzheimer Society of Durham Region as at March 31, 2017 and the statements of operations, changes in net assets 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 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 risk 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations and fund-raising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to accounting for the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and net assets. Our report on the financial statements as at and for the year ended March 31, 2016 was qualified for the same reason.

Qualified Opinion

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Alzheimer Society of Durham Region as at March 31, 2017, and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.


Chartered Accountants, Licensed Public Accountants

**June 12, 2017
Oshawa, Ontario**

ALZHEIMER SOCIETY OF DURHAM REGION
STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31,

2017

2016

ASSETS

Current

Cash	\$ 652,078	\$ 630,379
Accounts receivable	14,071	25,665
Prepaid expenses	16,647	13,238
Investments (Note 3)	<u>2,264,594</u>	<u>361,126</u>

2,947,390 **1,030,408**

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

	<u>146,232</u>	<u>167,600</u>
	\$ 3,093,622	\$ 1,198,008

LIABILITIES

Current

Accounts payable	\$ 58,372	\$ 63,607
Due to Central East LHIN (Note 5)	272,705	237,471
Government remittances payable	7,537	870
Deferred revenue (Note 2)	<u>40,770</u>	<u>73,075</u>

379,384 **375,023**

Deferred Contributions Related to Capital Assets (Note 7)

	<u>52,000</u>	<u>58,500</u>
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NET ASSETS

Invested in Capital Assets (Note 8)	94,232	109,100
Internally Restricted Funds (Note 4)	2,490,000	385,821
Unrestricted Funds	<u>78,006</u>	<u>269,564</u>
	<u>2,662,238</u>	<u>764,485</u>
	\$ 3,093,622	\$ 1,198,008

Approved On Behalf Of The Board Of Directors:

 Director

 Director

ALZHEIMER SOCIETY OF DURHAM REGION
STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31,

2017

2016

Invested in Capital Assets

Opening balance	\$ 109,100	\$ 850
Transfers to/from operations		
Amortization of capital assets	(21,368)	(21,368)
Capital asset acquisitions	-	188,118
Amortization of deferred contributions (Note 7)	6,500	6,500
Amounts financed by deferred contributions (Note 7)	-	(65,000)
Closing balance	<u>\$ 94,232</u>	<u>\$ 109,100</u>

Internally Restricted Funds (Note 4) (Schedule)

Opening balance	\$ 385,821	\$ 385,821
Transfers from operations	<u>2,104,179</u>	<u>-</u>
Closing balance	<u>\$ 2,490,000</u>	<u>\$ 385,821</u>

Unrestricted Funds

Opening balance	\$ 269,564	\$ 310,990
Excess (Deficiency) of Revenue over Expenditures	<u>1,897,753</u>	<u>66,824</u>
	2,167,317	377,814
Transfers (to) from Internally Restricted Funds	(2,104,179)	-
Transfers to/from Invested in Capital Assets - net	<u>14,868</u>	<u>(108,250)</u>
Closing balance	<u>\$ 78,006</u>	<u>\$ 269,564</u>

ALZHEIMER SOCIETY OF DURHAM REGION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31,

2017

2016

Revenue

Central East LHIN grants (Note 5)	\$ 1,563,920	\$ 1,262,408
Alzheimer Society of Ontario	26,731	27,609
Ontario Trillium Foundation	149,097	14,520
Government of Canada - Canada Summer Jobs	6,300	2,945
Memorial gifts	69,409	62,570
General donations	1,878,368	78,961
General fundraising	93,800	141,478
Investment income	4,073	7,601
Seminar and workshop income	7,101	5,443
Realized gain (loss) on investments	-	(7,790)
Unrealized gain (loss) on investments	(604)	-
Amortization of deferred contributions (Note 7)	6,500	6,500
Memberships	180	155

3,804,875

1,602,400

Expenditures

Wages and benefits	1,208,433	583,158
Occupancy	92,578	144,017
Research donations	10,000	-
Contracted out services	339,272	337,368
General fundraising	10,075	18,471
Office and general	56,877	44,707
Professional fees	39,593	26,189
Public relations	6,472	11,378
Professional development	16,729	76,210
Telephone	10,111	8,342
Seminars and workshops	14,440	13,109
Board and staff travel	9,778	5,757
Insurance	3,148	3,208
Equipment maintenance	747	3,937
Bank charges	4,247	2,567
Program supplies	18,137	8,046
Amortization	21,368	21,368

1,862,005

1,307,832

Earnings before amount refundable

1,942,870

294,568

Amount refundable to Central East LHIN

45,117

227,744

Excess of Revenue Over Expenditures

\$ 1,897,753

\$ 66,824

ALZHEIMER SOCIETY OF DURHAM REGION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31,

2017

2016

Operating Activities

Excess of revenue over expenditures	\$ 1,897,753	\$ 66,824
Charges (credits) to income not involving cash		
Amortization	21,368	21,368
Amortization of deferred contributions	(6,500)	(6,500)
Provided from (used for) working capital (Note 9)	<u>(1,890,922)</u>	<u>442,257</u>
	<u>21,699</u>	<u>523,949</u>

Investing Activities

Additions to capital assets	-	(188,118)
Amounts financed by deferred contributions	<u>-</u>	<u>65,000</u>
	<u>-</u>	<u>(123,118)</u>

Increase In Cash

	21,699	400,831
Cash, beginning of year	<u>630,379</u>	<u>229,548</u>
Cash, end of year	<u>\$ 652,078</u>	<u>\$ 630,379</u>

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

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. Minor capital asset purchases are being expensed as approved by the Board.

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

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, 2017

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 BMO Nesbitt Burns.

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>2017</u>	<u>2016</u>
Investments at Cost:		
Cash balance BMO Nesbitt Burns account	\$ 44	\$ 69,404
BMO Trust GIC, 0.85%, due August 25, 2017	100,000	-
Bank of Montreal GIC, 0.85%, due August 25, 2017	100,000	-
Bank of Montreal Mortgage GIC, 0.85%, due August 25, 2017	100,000	-
Investments at Fair Market Value:		
BMO High Interest Savings Account (1,904,570.9 units)	1,904,571	291,722
Fidelity Income Allocation Fund (3,908.715 units)	59,979	-
	<u>\$ 2,264,594</u>	<u>\$ 361,126</u>

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

4. Internally Restricted Funds

Bequest Trust Fund

The Society has established a fund to invest bequests received by the Society. Interest earned in the fund is available to the various committees of the Society to help offset operating costs. During the year, these funds were transferred to the Innovation Fund.

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 more than expenditures in the current year and in 2017 \$45,117 is refundable to Central East LHIN (2016 - \$227,752).

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

6. Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2017</u>	<u>2016</u>
Office equipment	\$ 20,705	\$ 11,350	\$ 9,355	\$ 12,472
Furniture and fixtures	20,736	5,936	14,800	16,738
Computer	3,611	2,407	1,204	2,407
Leasehold improvements	<u>151,091</u>	<u>30,218</u>	<u>120,873</u>	<u>135,983</u>
	<u>\$ 196,143</u>	<u>\$ 49,911</u>	<u>\$ 146,232</u>	<u>\$ 167,600</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>2017</u>	<u>2016</u>
Opening balance	\$ 58,500	\$ -
Add: Contributions received during the year	<u>-</u>	<u>65,000</u>
	58,500	65,000
Less: Amount amortized to revenue	<u>(6,500)</u>	<u>(6,500)</u>
Closing balance	<u>\$ 52,000</u>	<u>\$ 58,500</u>

8. Invested in Capital Assets

Invested in Capital Assets is calculated as follows:

	<u>2017</u>	<u>2016</u>
Capital Assets	\$ 146,232	\$ 167,600
Less: Amount financed by deferred contributions	<u>(52,000)</u>	<u>(58,500)</u>
	<u>\$ 94,232</u>	<u>\$ 109,100</u>

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

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>2017</u>	<u>2016</u>
Accounts receivable	\$ 11,594	\$ (4,487)
Prepaid expenses	(3,409)	29,215
Short term investments	(1,903,468)	101,336
Accounts payable	(5,235)	20,315
Government remittances payable	6,667	(606)
Due to Central East LHIN	35,234	227,589
Deferred revenue	(32,305)	68,895
	<u>\$ (1,890,922)</u>	<u>\$ 442,257</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 \$10.00 per square foot based on 4,592 square feet.

The Society has entered into a lease for computers and maintenance which expires in February 2020. The lease payment is \$2,921 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:

2018	\$ 120,798
2019	\$ 120,798
2020	\$ 117,906
2021	\$ 89,544
2022	\$ 90,692

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

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, 2017.

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.

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 in mutual funds. 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. Subsequent Event

On May 15, 2017, Alzheimer Society of Durham Region (ASDR) signed an agreement with the Alzheimer Foundation of London Middlesex (AFLM) to manage the investment portfolio of ASDR as part of the AFLM investment portfolio. The funds invested are fully owned by ASDR and available for the explicit use of ASDR.

**ALZHEIMER SOCIETY OF DURHAM REGION
 SCHEDULE OF INTERNALLY RESTRICTED FUNDS
 FOR THE YEAR ENDED MARCH 31, 2017**

	Innovation Fund	Growth & Service Excellence Fund	Research Fund	Financial Stability (Reserve) Fund	Sustainability Fund	Bequest Trust Fund	Total
Opening balance	\$ -	\$ -	\$ -	\$ 300,000	\$ -	\$ 85,821	\$ 385,821
Transfers to/from operations	514,179	700,000	50,000	340,000	500,000	-	2,104,179
Transfers between funds	85,821	-	-	-	-	(85,821)	-
Closing balance	<u>\$ 600,000</u>	<u>\$ 700,000</u>	<u>\$ 50,000</u>	<u>\$ 640,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 2,490,000</u>