



Financial Statements

Alzheimer Society of Canada/  
Société Alzheimer du Canada

March 31, 2013 and March 31, 2012

**ALZHEIMER SOCIETY OF CANADA/  
SOCIÉTÉ ALZHEIMER DU CANADA**  
2013 and 2012 Financial Statements

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## Independent Auditor's Report

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### To the Board of Directors of Alzheimer Society of Canada/Société Alzheimer du Canada

We have audited the accompanying financial statements of Alzheimer Society of Canada/Société Alzheimer du Canada, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. We conducted our audits 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 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 audit opinion.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alzheimer Society of Canada/Société Alzheimer du Canada as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

A stylized, handwritten signature of "Grant Thornton LLP" in black ink.

Chartered Accountants, Licensed Public Accountants  
Toronto, Canada  
August 2, 2013

**ALZHEIMER SOCIETY OF CANADA/  
SOCIÉTÉ ALZHEIMER DU CANADA**  
Statements of Financial Position  
As at

	March 31, 2013	March 31, 2012	April 1, 2011
<b>ASSETS</b>			
Current assets			
Cash	\$ 3,528,271	\$ 1,520,017	\$ 2,407,024
Short-term investments	299,973	1,046,689	1,038,027
Accounts receivable	545,223	804,531	775,130
Prepaid expenses	105,193	44,151	18,643
	4,478,660	3,415,388	4,238,824
Long-term investments (note 4)	5,568,456	5,129,445	4,983,907
Equipment and leasehold improvements (note 5)	171,447	268,493	192,833
	\$ 10,218,563	\$ 8,813,326	\$ 9,415,564
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 593,003	\$ 843,892	\$ 1,039,917
Amounts payable to partners	1,058,264	707,665	147,028
Deferred revenue (note 6)	255,030	358,538	451,452
Research funding (note 7)	2,264,733	1,988,179	2,062,187
	4,171,030	3,898,274	3,700,584
Long-term portion of research funding (note 7)	184,770	255,330	166,740
	4,355,800	4,153,604	3,867,324
Net assets			
Invested in equipment	171,447	268,493	192,833
Endowment fund (note 8)	1,016,317	965,642	953,400
Operating reserve fund	1,030,838	433,235	963,811
Research fund - internally restricted	1,299,384	1,260,230	1,231,374
Research fund - externally restricted	2,304,777	1,732,122	2,206,822
Capacity fund	40,000	-	-
	5,862,763	4,659,722	5,548,240
	\$ 10,218,563	\$ 8,813,326	\$ 9,415,564

See accompanying notes

On behalf of the Board



President

Treasurer

**ALZHEIMER SOCIETY OF CANADA/  
SOCIÉTÉ ALZHEIMER DU CANADA**  
Statements of Operations  
Years ended March 31, 2013 and 2012

	2013	2012
Revenue		
Public support	\$ 9,077,022	\$ 9,060,208
Bequests and memoriams	2,636,909	2,921,416
Corporate and foundations	573,236	465,947
Investment income (note 4)	510,199	218,095
Other	59,427	52,133
	<u>12,856,793</u>	<u>12,717,799</u>
Expenditures		
Research program	3,707,329	3,873,414
Public education	2,862,609	2,690,633
Fundraising	3,913,635	3,997,542
General and administrative	407,470	512,558
Board and committee	143,480	196,104
	<u>11,034,523</u>	<u>11,270,251</u>
Excess of revenue over expenditures before undernoted items	<u>1,822,270</u>	<u>1,447,548</u>
Partner transfers (note 9)		
Revenue flowed to partners	(7,260,343)	(7,940,902)
Partner assessments	6,631,050	5,594,059
	<u>(629,293)</u>	<u>(2,346,843)</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 1,192,977</u>	<u>\$ (899,295)</u>

See accompanying notes

**ALZHEIMER SOCIETY OF CANADA/  
SOCIÉTÉ ALZHEIMER DU CANADA**  
Statements of Changes in Net Assets  
Year ended March 31

	2013						Total
	Invested in equipment	Restricted for endowment purposes (note 8)	Internally restricted operating reserve	Internally restricted research fund	Externally restricted research fund	Internally restricted capacity fund	
Net assets, as at April 1, 2012	\$ 268,493	\$ 965,642	\$ 433,235	\$ 1,260,230	\$ 1,732,122	\$ -	\$ 4,659,722
Excess (deficiency) of revenue over expenditures	(97,046)	87,762	-	-	572,655	-	1,192,977
Endowment contributions (note 8)	-	10,064	-	-	-	-	10,064
Transfer of 2013 spendable portion of endowment	-	(47,151)	-	39,154	-	-	7,997
Interfund transfer	-	-	597,603	-	-	40,000	(637,603)
Net assets, as at March 31, 2013	\$ 171,447	\$ 1,016,317	\$ 1,030,838	\$ 1,299,384	\$ 2,304,777	\$ 40,000	\$ 5,862,763

  

	2012						Total
	Invested in equipment	Restricted for endowment purposes (note 8)	Internally restricted operating reserve	Internally restricted research fund	Externally restricted research fund	Internally restricted capacity fund	
Net assets, April 1, 2011	\$ 192,833	\$ 953,400	\$ 963,811	\$ 1,231,374	\$ 2,206,822	\$ -	\$ 5,548,240
Excess (deficiency) of revenue over expenditures	(86,545)	36,211	-	-	(474,700)	-	(899,295)
Endowment contributions (note 8)	-	10,777	-	-	-	-	10,777
Purchase of web portal infrastructure	162,205	-	-	-	-	-	(162,205)
Transfer of 2012 spendable portion of endowment	-	(34,746)	-	28,856	-	-	5,890
Interfund transfer	-	-	(530,576)	-	-	-	530,576
Net assets, as at March 31, 2012	\$ 268,493	\$ 965,642	\$ 433,235	\$ 1,260,230	\$ 1,732,122	\$ -	\$ 4,659,722

**ALZHEIMER SOCIETY OF CANADA/  
SOCIÉTÉ ALZHEIMER DU CANADA**  
Statements of Cash Flows  
Years ended March 31, 2013 and 2012

	2013	2012
Operating activities		
Excess (deficiency) of revenue over expenditures	\$ 1,192,977	\$ (899,295)
Items not involving cash		
Amortization	97,046	86,545
Change in unrealized loss (gain) on investments	(283,036)	39,262
	<u>1,006,987</u>	<u>(773,488)</u>
Net change in non-cash working capital items		
Accounts receivable	259,308	(29,401)
Prepaid expenses	(61,042)	(25,508)
Accounts payable and accrued liabilities	(250,889)	(196,025)
Amounts payable to partners	350,599	560,637
Deferred revenue	(103,508)	(92,914)
	<u>194,468</u>	<u>216,789</u>
Research funding	205,994	14,582
	<u>1,407,449</u>	<u>(542,117)</u>
Cash flows from operating activities		
Financing activity		
Endowment contributions and cash flows from financing activity	10,064	10,777
Investing activities		
Short-term investments (net)	746,716	(8,662)
Long-term investments (net)	(155,975)	(184,800)
Purchase of web portal infrastructure	-	(162,205)
	<u>590,741</u>	<u>(355,667)</u>
Cash flows from investing activities		
Net change in cash during the period	2,008,254	(887,007)
Cash, beginning of year	1,520,017	2,407,024
Cash, end of year	<u>\$ 3,528,271</u>	<u>\$ 1,520,017</u>

See accompanying notes

**ALZHEIMER SOCIETY OF CANADA/  
SOCIÉTÉ ALZHEIMER DU CANADA**

**Notes to Financial Statements**

**Years ended March 31, 2013 and 2012**

**1. Purpose of the organization**

Alzheimer Society of Canada/Société Alzheimer du Canada (the "Society") is incorporated without share capital under the laws of Canada and is registered with Canada Revenue Agency as a charitable organization. The Society identifies, develops and facilitates national priorities that enable its partners to effectively alleviate the personal and social consequences of Alzheimer's disease and related disorders, promotes research and leads the search for a cure.

The partners of the Society are the Provincial Alzheimer Societies across Canada. While control and ownership does not exist between or among any of these entities, the two levels of societies work closely together to alleviate the personal and social consequences of Alzheimer's disease.

**2. Summary of significant accounting policies**

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), the more significant of which are outlined below.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

Financial instruments

The Society's financial instruments are comprised of cash, investments, accounts receivable, accounts payable, amounts payable to partners, and research funding.

Financial assets and financial liabilities are initially recognized at their fair value.

The Society subsequently measures all financial assets and financial liabilities at amortized cost with the exception of investments. Investments are subsequently measured at fair value based on active market rates. Under this method, the realized and unrealized gains and losses on investments are recognized in the statement of operations.

Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost and are being amortized over their estimated useful lives. The annual amortization rates and methods are as follows:

Leasehold improvements	10 years straight-line
Furniture and fixtures	5 years straight-line
Computer equipment	3 years straight-line
Telephone equipment	5 years straight-line
Web Portal	3 years straight-line

**ALZHEIMER SOCIETY OF CANADA/  
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**Notes to Financial Statements**

**Years ended March 31, 2013 and 2012**

**2. Summary of significant accounting policies — continued**

Accrued research funding

The Board of Directors annually approves specific commitments for research grants that are to be awarded to researchers for periods of up to three years. The liability for this funding is recorded in the year awarded and a charge is made against operations in that year. Disbursements of these awards are charged against the liability at the time the disbursements are made.

Interfund transfers and allocations

The excess of revenue over expenses for the year is allocated in accordance with the Society's financial policy statements. Any residual excess is allocated from the Unrestricted Fund to the Internally Restricted Operating Reserve Fund. Interfund transfers are made in accordance with policies approved by the Board of Directors.

Revenue recognition

Contributions, including public support, bequests and memoriams, corporate and foundations, are recognized as revenue when the amount can be reasonably estimated and collection is reasonably assured. Restricted contributions received for projects relating to the following fiscal year are initially recorded as deferred revenue and are recognized as revenue in the year in which the related expenses are incurred.

Endowment contributions are recognized as direct increases to net assets. Endowments consist of donations made to the Society where the capital is required to be maintained in perpetuity. The investment income generated from Endowments must be used in accordance with the Endowment criteria. When Endowment contributions do not specify a program area, allocations are made by the Board of Directors. The economic value of the Endowments is protected by an internal restriction limiting the amount of investment income that may be spent to not less than 3.5% and not more than 5% of the four-year rolling market average value of the principal gift.

Investment income includes interest, dividends, realized and unrealized gains/losses.

Donated materials and services

Contributed goods and services are not reflected in these financial statements as the fair values of these goods and services cannot be reasonably estimated.

Allocation of expenses

The Society incurs certain executive management and administrative expenses which are allocated to other expense categories based on department head count.

	<b>2013</b>		<b>2012</b>
Research	\$ 162,546	\$	308,700
Education	108,364		36,750
Safely Home	54,182		12,250
Communications	270,911		61,250

**ALZHEIMER SOCIETY OF CANADA/  
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Notes to Financial Statements  
Years ended March 31, 2013 and 2012

**2. Summary of significant accounting policies — continued**

Internally and externally restricted funds

*Operating reserve*

The Society has set aside a percentage of expenditures as an operating reserve to provide continued funding of operations and ensure financial stability. In accordance with the operating reserve policy, the target for the reserve is 50% of the previous year's net expenditures plus contractual obligations net of research expenditures and direct mailing expenditures (which would be approximately \$2,300,000).

*Internally and externally restricted research funds*

The research funds are composed of internally restricted (\$1,299,384) and externally restricted (\$2,304,777) unexpended donations. The target balance for the research fund is 50% of the total prior year's Alzheimer Society Research Program expense. The current excess will be expended to fund additional research over the next few years.

*Internally restricted capacity fund*

In accordance with the Federation Agreement, the Society has set aside funds to help build the capacity of Provincial Alzheimer Societies in areas such as fund development, services, and innovation. The amount of the Capacity Fund will be determined by the Society's Board with the recommendation of the Provincial Alzheimer Societies' Executive Leadership Council.

**3. First-time adoption of accounting standards for not-for-profit organizations**

These financial statements are the first financial statements for which the Society has applied ASNPO. Comparative period information was prepared in accordance with ASNPO and the provisions set out in Section 1501 of the CICA Handbook - First-time adoption by not-for-profit organizations.

The date of transition to ASNPO is April 1, 2011. The Society's transition from Canadian generally accepted accounting principles ("previous GAAP") to ASNPO has had no impact on the opening net assets as at April 1, 2011 or the statements of operations or cash flows for the year ended March 31, 2012.

As a result, the reconciliations and disclosures required by Section 1501 First-time adoption by not-for-profit organizations are not necessary and have not been presented in these financial statements.

**4. Investments**

Short-term investments consist of Foyston, Gordon & Payne Short Term funds.

Long-term investments consist of the following Foyston, Gordon & Payne Pooled funds:

	March 31, 2013	March 31, 2012	April 1, 2011
Cash and cash equivalents	\$ 135,600	\$ 128,512	\$ 17,543
Fixed income securities	2,344,453	2,747,300	2,520,894
Equities	3,088,402	2,253,633	2,445,470
	<u>\$ 5,568,455</u>	<u>\$ 5,129,445</u>	<u>\$ 4,983,907</u>

The fixed income securities bear a yield to maturity of 2.3% (2012 - 2.8%, 2011 - 3.3%).

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Notes to Financial Statements

Years ended March 31, 2013 and 2012

**4. Investments — continued**

	2013	2012
Unrestricted funds		
Interest income	\$ 159,879	\$ 202,181
Realized capital gains	31,330	5,627
Unrealized capital gains (losses)	<u>231,228</u>	<u>(25,924)</u>
	422,437	181,884
Endowment funds		
Interest income	27,166	41,830
Realized capital gains	8,881	7,718
Unrealized capital gains (losses)	<u>51,715</u>	<u>(13,337)</u>
Total investment income	<u>\$ 510,199</u>	<u>\$ 218,095</u>

**5. Equipment and leasehold improvements**

	March 31, 2013		
	Cost	Accumulated amortization	Net
Leasehold improvements	\$ 129,330	\$ 56,043	\$ 73,287
Furniture and fixtures	127,935	110,877	17,058
Computer equipment	119,413	119,413	-
Telephone equipment	17,630	17,630	-
Web Portal	<u>162,205</u>	<u>81,103</u>	<u>81,102</u>
	<u>\$ 556,513</u>	<u>\$ 385,066</u>	<u>\$ 171,447</u>
	March 31, 2012		
	Cost	Accumulated amortization	Net
Leasehold improvements	\$ 129,330	\$ 43,110	\$ 86,220
Furniture and fixtures	127,935	85,290	42,645
Computer equipment	119,413	115,052	4,361
Telephone equipment	17,630	17,534	96
Web Portal	<u>162,205</u>	<u>27,034</u>	<u>135,171</u>
	<u>\$ 556,513</u>	<u>\$ 288,020</u>	<u>\$ 268,493</u>

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**5. Equipment and leasehold improvements — continued**

	April 1, 2011		
	Cost	Accumulated amortization	Net
Leasehold improvements	\$ 129,330	\$ 30,177	\$ 99,153
Furniture and fixtures	127,935	59,703	68,232
Computer equipment	119,413	97,326	22,087
Telephone equipment	17,630	14,269	3,361
	<u>\$ 394,308</u>	<u>\$ 201,475</u>	<u>\$ 192,833</u>

The Society moved to new premises in the 2009 fiscal year. Netted against the cost of leasehold improvements is the Society's share of lease inducements totaling \$237,092.

**6. Deferred revenue**

Deferred revenue consists of contributions which are designated by the donor to fund future expenses. These contributions will be recognized as revenue when the designated disbursement is made. At year end, it is comprised of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
General	\$ 61,199	\$ 197,292	\$ 161,134
Research	193,831	161,246	290,318
	<u>\$ 255,030</u>	<u>\$ 358,538</u>	<u>\$ 451,452</u>

**7. Research funding**

	2013	2012
Balance, beginning of year	\$ 2,243,509	\$ 2,228,927
Current year grants awarded, net of declined and terminated awards	3,307,692	3,528,780
Payments	<u>(3,101,698)</u>	<u>(3,514,198)</u>
Balance, end of year	2,449,503	2,243,509
Less: long-term portion	<u>(184,770)</u>	<u>(255,330)</u>
Current portion of research funding	<u>\$ 2,264,733</u>	<u>\$ 1,988,179</u>

**ALZHEIMER SOCIETY OF CANADA/  
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Notes to Financial Statements

Years ended March 31, 2013 and 2012

**8. Net assets restricted for endowment purposes**

	<b>2013</b>	<b>2012</b>
Balance, beginning of year	\$ 965,642	\$ 953,400
Contributions	10,064	10,777
Investment income	36,047	49,548
Change in unrealized gain (loss) on investments	51,715	(13,337)
Transfer of spendable portion	(47,151)	(34,746)
	<u>1,016,317</u>	<u>965,642</u>
Balance, end of year	<u>\$ 1,016,317</u>	<u>\$ 965,642</u>

**9. Federation agreement**

In April 2009, the Society entered into a Federation Agreement (FA) with the ten Provincial Alzheimer Societies ("Partners").

The FA includes the following financial arrangements:

All funds received by the Society (except Safely Home registrations, investment income, national foundation and corporation revenue and federal government grants for centrally coordinated national programs) will be distributed to the province from which the funds originated. Direct Mail revenue is flowed back to the participating partners net of the related expense.

The Society's expense budget is supported through assessments to the provincial partners based on the partner's percentage of total applicable revenue.

Partner transfers consist of:

Revenue flowed to partners

	<b>2013</b>	<b>2012</b>
Direct Mail (net)	\$ 2,738,670	\$ 2,659,600
Donations	2,385,027	3,053,853
Bequests	2,136,646	2,227,449
	<u>7,260,343</u>	<u>7,940,902</u>
Partner assessments		
Research	\$ 3,029,740	\$ 2,810,910
Operating	3,561,310	2,783,149
Capacity Fund	40,000	-
	<u>6,631,050</u>	<u>5,594,059</u>

**ALZHEIMER SOCIETY OF CANADA/  
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Notes to Financial Statements  
Years ended March 31, 2013 and 2012

**10. Allocation of expenses**

The Society incurs certain management and administrative salaries and overhead expenses in the aggregate amount of \$973,609 which are allocated based on department head count. The expenses are incurred as part of general and administrative expenses and are allocated as follows:

	2013		2012
Research program	\$ 163,141	\$	84,464
Public education	579,903		366,009
Fundraising	230,565		176,031
	<u>\$ 973,609</u>	\$	<u>626,504</u>

**11. Bank indebtedness**

The Society has arranged a credit facility in the amount of \$700,000 bearing interest at prime plus 0.5% and repayable on demand. The credit facility is covered by a general security agreement and a first ranking interest in the Society's investments requiring a minimum market value of \$1,400,000. The line of credit was not utilized during the year.

**12. Co-tenancy commitments**

The co-tenancy agreement, signed on April 1, 2008 by the Alzheimer Societies of Canada, Ontario and Toronto, sets out the terms of the sharing of costs, which include leasehold improvements, furniture, equipment, supplies, rent, phones and IT.

The Society's portion of the operating lease commitment is as follows:

2014	\$ 111,771
2015	120,207
2016	120,207
2017	120,207
2018	120,207
Subsequent years	<u>80,137</u>
	<u>\$ 672,736</u>

**ALZHEIMER SOCIETY OF CANADA/  
SOCIÉTÉ ALZHEIMER DU CANADA**

**Notes to Financial Statements**

**Years ended March 31, 2013 and 2012**

**13. Financial instruments**

Transactions in financial instruments may result in the Society assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments.

Credit risk

The Society is exposed to credit risk primarily with respect to their accounts receivable. The Society manages this risk through regular monitoring of balances and continuous communication with debtors.

Interest rate risk

Interest rate risk is the risk that the fair value (price risk) or future cash flows (cash flow risk) of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to price risk with respect to investments with fixed interest rates, and cash flow risk with respect to investments with variable interest rates.

Liquidity risk

The Society's liquidity risk represents the risk that the Society could encounter difficulty in meeting obligations associated with its financial liabilities. The Society is exposed to liquidity risk mainly in respect of its accounts payable, amounts payable to partners, and research funding obligations. Liquidity risk is not considered to be significant because the Society maintains sufficient funds to meet outstanding obligations.

Currency risk

Currency risk is the risk to the Society that arises from fluctuations in foreign exchange rates. The Society is not exposed to significant currency risk as transactions in foreign currencies are limited.

**14. Comparative amounts**

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2013 financial statements.