



Financial Statements

Alzheimer Society of Ontario

March 31, 2014

Alzheimer Society of Ontario

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Independent Auditor's Report

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To the Members of the
Alzheimer Society of Ontario

We have audited the accompanying financial statements of Alzheimer Society of Ontario, which comprise the statements of financial position as at March 31, 2014, and the statements of revenue and expenses, changes in fund balances 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 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 in our audit 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 Ontario as at March 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

Toronto, Canada
June 20, 2014

Chartered Accountants
Licensed Public Accountants

Alzheimer Society of Ontario

Statement of Financial Position

As at March 31

2014

2013

Assets

Current assets		
Cash and cash equivalents	\$ 2,362,452	\$ 2,629,009
Accounts receivable (Note 3)	622,889	1,045,301
Prepaid expenses	<u>22,442</u>	<u>35,583</u>
	3,007,783	3,709,893
Investments (Note 4)	3,116,084	2,132,780
Property and equipment (Note 5)	<u>80,392</u>	<u>103,490</u>
	<u>\$ 6,204,259</u>	<u>\$ 5,946,163</u>

Liabilities and Fund Balances

Current liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 491,476	\$ 864,765
Deferred revenue (Note 7)	<u>1,267,874</u>	<u>1,287,785</u>
	<u>1,759,350</u>	<u>2,152,550</u>
Fund balances (Note 9 and 10)		
Internally restricted funds	2,748,234	2,490,930
Invested in property and equipment fund	80,392	103,490
Unrestricted fund	<u>1,616,283</u>	<u>1,199,193</u>
	<u>4,444,909</u>	<u>3,793,613</u>
	<u>\$ 6,204,259</u>	<u>\$ 5,946,163</u>

Commitments (Note 8)

On behalf of the Board



Vic Prendergast,
Board Chair



Thomas Evans,
Chair of Finance and Audit Committee

Alzheimer Society of Ontario Statement of Revenue and Expenses

Year ended March 31	2014	2013
Revenue		
Fund development revenue (Note 11)	\$ 7,135,492	\$ 7,133,304
Grants	1,056,657	815,167
Investment income (Note 4)	424,628	227,865
Other	<u>129,091</u>	<u>138,369</u>
	<u>8,745,868</u>	<u>8,314,705</u>
Expenses (Note 12)		
Fund development expenses	512,791	551,858
Alzheimer Society of Canada operating cost assessment (Note 8(b))	1,722,041	2,099,569
Public policy and program initiatives	1,146,288	947,261
Marketing and communications	427,399	332,465
Finance and operations	319,920	297,744
Governance	<u>407,192</u>	<u>422,800</u>
	4,535,631	4,651,697
Alzheimer Knowledge Exchange program (Note 7)	268,152	204,685
Minds in Motion (Note 7)	92,217	-
Finding Your Way program (Note 7)	684,237	601,613
Ontario Caregiver Coalition (Note 7)	<u>12,051</u>	<u>8,869</u>
	<u>5,592,288</u>	<u>5,466,864</u>
Operating surplus	3,153,580	2,847,841
Member chapter contributions for research	182,103	229,940
Alzheimer Society of Canada Research Program contributions	<u>(1,796,191)</u>	<u>(1,725,700)</u>
Net surplus	1,539,492	1,352,081
Strategic investment fund expenses (Note 10)	(5,196)	(20,000)
Revenue sharing – member chapters (Note 8(b))	<u>(883,000)</u>	<u>(883,000)</u>
Excess of revenue over expenses	<u>\$ 651,296</u>	<u>\$ 449,081</u>

See accompanying notes to the financial statements.

Alzheimer Society of Ontario

Statement of Changes in Fund Balances

Year ended March 31

	2014			2013	
	Internally Restricted (Note 10)	Invested in Property and Equipment Fund	Unrestricted Fund	Total	Total
Fund balances, beginning of year	\$ 2,490,930	\$ 103,490	\$ 1,199,193	\$ 3,793,613	\$ 3,344,532
Excess (deficiency) of revenue over expenses	(5,196)	(36,652)	693,144	651,296	449,081
Invested in property and equipment	-	13,554	(13,554)	-	-
Net transfer to internally restricted fund (Note 10)	<u>262,500</u>	-	<u>(262,500)</u>	-	-
Fund balances, end of year	<u>\$ 2,748,234</u>	<u>\$ 80,392</u>	<u>\$ 1,616,283</u>	<u>\$ 4,444,909</u>	<u>\$ 3,793,613</u>

Alzheimer Society of Ontario Statement of Cash Flows

Year ended March 31	2014	2013
Operating activities		
Excess of revenue over expenses	\$ 651,296	\$ 449,081
Items not involving cash		
Unrealized investment gains	(306,425)	(165,960)
Amortization of property and equipment	<u>36,652</u>	<u>38,520</u>
	381,523	321,641
Net change in non-cash during the year		
Accounts receivable	422,412	(96,507)
Prepaid expenses	13,141	(4,764)
Accounts payable and accrued liabilities	(373,289)	(53,730)
Deferred revenue	<u>(19,911)</u>	<u>190,756</u>
Cash flows from operating activities	<u>423,876</u>	<u>357,396</u>
Investing activities		
Additions to investments	(676,879)	(37,206)
Additions to property and equipment	<u>(13,554)</u>	<u>(7,542)</u>
Cash flows from investing activities	<u>(690,433)</u>	<u>(44,748)</u>
(Decrease) increase in cash and cash equivalents during the year	(266,557)	312,648
Cash and cash equivalents, beginning of year	<u>2,629,009</u>	<u>2,316,361</u>
Cash and cash equivalents, end of year	<u>\$ 2,362,452</u>	<u>\$ 2,629,009</u>

Cash and cash equivalents consist of the following:

Cash on hand and in banks for operations, bearing interest at 0.00% to 1.35%	\$ 1,817,461	\$ 1,521,736
Cash held for Alzheimer Knowledge Exchange and other programs (Note 7)	39,791	2,373
Deposits bearing interest at 1.5% to 2.20%	<u>505,200</u>	<u>1,104,900</u>
	<u>\$ 2,362,452</u>	<u>\$ 2,629,009</u>

Alzheimer Society of Ontario

Notes to the Financial Statements

Year ended March 31, 2014

1. Description of organization

The Alzheimer Society of Ontario (the "Society") is an association of individually incorporated member chapters whose mission is to alleviate the personal and social consequences of Alzheimer's Disease and related disorders and to promote research. The role of the Society is to collaborate with all levels of the Alzheimer's community in order to foster excellence in services, education and research.

The Society was incorporated on January 10, 1983 without share capital, under the relevant provisions of the Ontario Corporations Act. Under the Income Tax Act, the Society is classified as a registered charity and is therefore exempt from income taxes.

2. Summary of significant accounting policies

Basis of presentation

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Financial statement presentation

The financial statements reflect only the assets, liabilities and operations under the administration of the Society. The assets, liabilities and operations of the various separately incorporated Ontario member chapters of the Society are not included in these financial statements.

These statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), using the deferral method of reporting restricted contributions.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically and adjustments are made in the statement of revenue and expenses in the year they become known.

Items subject to significant management estimates include valuation of investments and accounts payable and accrued liabilities.

Cash and cash equivalents

Cash and cash equivalents include deposits in banks, certificates on deposits and short-term investments with original maturity dates of three months or less.

Alzheimer Society of Ontario

Notes to the Financial Statements

Year ended March 31, 2014

2. Summary of significant accounting policies (continued)

Revenue recognition

Contributions, including public support, bequest and memoriams, and amounts received from corporations and foundations, are recognized as revenue when the amount can be reasonably estimated and collection is reasonably assured. Restricted contributions are initially recorded as deferred revenue and are recognized as revenue in the year in which the related expenses are incurred.

Investment income includes interest, dividends and realized and unrealized gains or losses on investments, and is reported net of fees, commissions, taxes and interest expense. Interest income is recorded using the accrual method and dividends are recorded when declared.

Financial instruments

Initial measurement

Financial instruments are measured at fair value when issued or acquired. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement

At each reporting date, the Society measures its financial assets and liabilities at amortized cost (less impairment in the case of financial assets), except for equities quoted in an active market, which must be measured at fair value. The Society has also irrevocably elected to measure its fixed income investments at fair value. All changes in fair value of the Society's investments in equities quoted in an active market and in fixed income investments are recorded in the statement of revenue and expenses and disclosed in Note 4. The financial instruments measured at amortized cost are cash and cash equivalents, accounts receivable and accounts payable.

For financial assets measured at cost or amortized cost, the Society regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Society determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of revenue and expenses. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Property and equipment

Purchased property and equipment are recorded at cost. Amortization is provided for on a straight-line basis over a period of five years for furniture and equipment and three years for computer equipment. Leasehold improvements are amortized on a straight-line basis over the remaining term of the lease.

Alzheimer Society of Ontario

Notes to the Financial Statements

Year ended March 31, 2014

2. Summary of significant accounting policies (continued)

Property and equipment (continued)

When a property or equipment no longer has any long-term service potential to the Society, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of revenue and expenses. Any write-downs recognized are not reversed.

Inter-fund 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 to the Unrestricted Fund. Interfund transfers are made in accordance with policies and guidelines approved by the Board of Directors (the "Board").

Operating and overhead expenses

Certain operating and overhead expenses are allocated to other expense categories based upon reasonable estimates of staff time or costs incurred (Note 12).

Donated services

The operation of the Society is dependent on services provided by volunteers. Since these services are not normally purchased by the Society and due to the difficulty of determining their fair market value, donated services are not recorded in the accounts.

Remuneration of the Board

Members of the Board are volunteers who serve without remuneration.

3. Accounts receivable

	<u>2014</u>	<u>2013</u>
Alzheimer Society of Canada	\$ 294,876	\$ 839,098
Member chapters	157,652	17,119
Government	98,129	90,788
Other	<u>72,232</u>	<u>98,296</u>
	<u>\$ 622,889</u>	<u>\$ 1,045,301</u>

Accounts receivable are net of allowance for doubtful accounts of \$Nil (2013 - \$Nil).

Alzheimer Society of Ontario

Notes to the Financial Statements

Year ended March 31, 2014

4. Investments

The fair value of investments is as follows:

	<u>2014</u>	<u>2013</u>
Common stocks and equities	\$ 1,653,028	\$ 1,325,525
Fixed income	1,351,573	671,032
Cash and cash equivalents	<u>111,483</u>	<u>136,223</u>
	<u>\$ 3,116,084</u>	<u>\$ 2,132,780</u>

The common stocks and equities are invested in Canadian and internationally publicly traded securities.

The fixed income investments mature from November 2014 to September 2023 and earn interest at rates of 1.385% to 9.95%.

The cash and cash equivalents is comprised of cash in the investment account and short-term deposits due April 2014.

Investment income comprises:

	<u>2014</u>	<u>2013</u>
Interest income	\$ 107,241	\$ 91,465
Realized capital gains (losses)	43,738	(382)
Unrealized capital gains	306,425	165,960
Less: management fees	<u>(32,776)</u>	<u>(29,178)</u>
	<u>\$ 424,628</u>	<u>\$ 227,865</u>

5. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2014 Net Book Value</u>	<u>2013 Net Book Value</u>
Furniture and equipment	\$ 128,852	\$ 128,852	\$ -	\$ 17,985
Computer equipment	327,870	312,100	15,770	9,157
Leasehold improvements	<u>132,401</u>	<u>67,779</u>	<u>64,622</u>	<u>76,348</u>
	<u>\$ 589,123</u>	<u>\$ 508,731</u>	<u>\$ 80,392</u>	<u>\$ 103,490</u>

The Society moved to new premises in the 2009 fiscal year. Netted against the cost of leasehold improvements are lease inducements received totalling \$237,092.

Alzheimer Society of Ontario

Notes to the Financial Statements

Year ended March 31, 2014

6. Accounts payable and accrued liabilities

	<u>2014</u>	<u>2013</u>
Alzheimer Society of Canada	\$ 104,198	\$ 58,844
Other	<u>387,278</u>	<u>805,921</u>
	<u>\$ 491,476</u>	<u>\$ 864,765</u>

7. Deferred revenue

	2014 Opening Balance	Increase	Decrease	2014 Closing Balance
Alzheimer Knowledge				
Exchange grant (a)	\$ 114,175	\$ 325,107	\$ 268,152	\$ 171,130
Minds in Motion	-	92,217	92,217	-
Finding Your Way program (b)	48,387	650,000	684,237	14,150
Ontario Caregiver Coalition	<u>9,656</u>	<u>11,450</u>	<u>12,051</u>	<u>9,055</u>
	172,218	1,078,774	1,056,657	194,335
Scholarship Fund (c)	493,487	10,000	60,394	443,093
Deferred Research Fund	250,000	-	-	250,000
Volunteer Mobilization program	31,883	25,000	31,883	25,000
U-First program	167,810	149,625	91,084	226,351
Ontario Trillium Foundation Grant	100,000	112,500	212,500	-
Other	<u>72,387</u>	<u>743,210</u>	<u>686,502</u>	<u>129,095</u>
	<u>\$ 1,287,785</u>	<u>\$ 2,119,109</u>	<u>\$ 2,139,020</u>	<u>\$ 1,267,874</u>

- (a) The Alzheimer Knowledge Exchange program (AKE) is supported by a grant from the Ministry of Health and Long Term Care and by income earned by the AKE. The AKE facilitates the exchange of information, innovation and expertise among caregivers, educators, research and policy makers by connecting people to knowledge and dementia expertise.
- (b) During fiscal 2014, the Society received \$650,000 (2013 - \$500,000) from the Ontario Seniors' Secretariat to initiate the Finding Your Way program (previously named Wandering Prevention program) in various targeted cultural communities. The purpose of the program is to reduce the incidents of missing people with dementia and to increase the likelihood of their safe return home. The program will increase public awareness, education and resources, and strengthen relationships with local organizations.
- (c) The Scholarship Fund was established in fiscal 2012 through a donation from an anonymous donor and will be disbursed over the next five years.

Alzheimer Society of Ontario

Notes to the Financial Statements

Year ended March 31, 2014

8. Commitments

(a) Joint lease agreement

Pursuant to the co-tenancy agreement, signed on April 1, 2008, the Alzheimer Societies of Canada, Ontario and Toronto co-located in new premises in order to benefit from efficiencies of scale. The co-tenancy agreement sets out the terms of the sharing of costs (based on the related cost drivers, which are primarily shared equally by each of the three co-tenants). Shared costs include leasehold improvements, furniture, equipment, rent, phones and IT.

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

2015	\$ 120,207
2016	120,207
2017	120,207
2018	120,207
2019	<u>80,137</u>
	<u>\$ 560,965</u>

(b) Federation agreements

In April 2009, the Society entered into a Federation Agreement (FA) with the Alzheimer Society of Canada (ASC) which replaced the existing agreement between ASC and the provincial member societies. All funds received by ASC (except Safely Home registrations, investment income, national foundation and corporation revenue and federal government grants for centrally coordinated national programs) are distributed to the province from which it originated. Direct Mail revenue is flowed to the Society on a net basis. The Society pays ASC member assessments based on their percentage of total revenue across the federation in order to support ASC's expense budget.

Additionally, on April 1, 2009, the Society entered into a five year federation agreement with the then 39 member chapters in Ontario, which was extended for a period of one year as at April 1, 2014. Under the terms of the agreement, the Society will distribute to the chapters all revenue received according to where the donors reside (except for donations designated to be spent on research, investment income and revenue from government, foundations and corporations for province-wide initiatives). The Society is committed to minimum annual payments of \$300,000 to the Toronto member chapter, \$250,000 to the Ottawa member chapter, and \$9,000 to each of the remaining chapters. In addition, the agreement provides for the sharing of other miscellaneous revenues.

Alzheimer Society of Ontario

Notes to the Financial Statements

Year ended March 31, 2014

9. Fund balances

Fiscal Strength Fund

The purpose of the internally restricted Fiscal Strength Fund is to manage the financial risk of the Society and its member chapters and promote financial stability. The fund balance represents 50% of normalized operating and fund development expenses and is adjusted periodically to reflect changing expense levels.

Research Contributions Fund

The fund represents amounts received which have been internally restricted for research.

Strategic Investment Fund

The purpose of the internally restricted Strategic Investment fund is to support province wide strategic initiatives where greater effectiveness, efficiency and/or economy can be realized through coordination at the Society level. Additions to the fund and expenditures from the fund require Board approval.

Donor Fund

Management has determined that when these donations were originally received, previous management characterized the donations as an endowment fund, even though the terms of the donations did not conform to the definition of an endowment. As a result, the fund is no longer considered to be an endowment fund, but an internally restricted fund.

To date, principal amounts of the donations have been maintained, and realized investment income has been used to support medical research. It is the Society's intention to disburse the principal balance of this fund on research in future years.

Unrestricted Fund

The Unrestricted Fund comprises the cumulative residual surplus or deficit of the Society that remains after the provisions of all other funds have been satisfied.

Alzheimer Society of Ontario

Notes to the Financial Statements

Year ended March 31, 2014

10. Internally restricted funds

Fund	2014 Opening Balance	Deficiency of Revenue Over Expenses	Transfers	2014 Closing Balance
Fiscal Strength	\$ 1,400,000	\$ -	\$ -	\$ 1,400,000
Research Contributions	800,000	-	262,500	1,062,500
Strategic Investment	94,632	(5,196)	-	89,436
Donor	196,298	-	-	196,298
	<u>\$ 2,490,930</u>	<u>\$ (5,196)</u>	<u>\$ 262,500</u>	<u>\$ 2,748,234</u>

Based on revenues received in the last quarter of fiscal 2014, a decision was made to designate \$262,500 (2013 - \$400,000) for research in fiscal 2015. In order to ensure the effective disbursement of these funds, they were segregated as an internally restricted fund, pending their consideration by the Research Advisory Council and a final decision by the Society's Board. The \$1,062,500 will be disbursed in fiscal 2015.

11. Fund development revenue

	2014	2013
Bequests	\$ 1,213,847	\$ 1,825,628
Direct response (Note 8(b))	4,749,460	4,348,664
Donations	1,172,185	959,012
	<u>\$ 7,135,492</u>	<u>\$ 7,133,304</u>

12. Operating, overhead and executive expense allocations

Certain operating, overhead and executive expenses are allocated to other expense categories based upon reasonable estimates of staff time or costs incurred.

Summary of expenses	2014	2013
Facilities and office	\$ 322,123	\$ 326,201
Professional fees and consulting	62,219	88,197
Amortization	36,652	38,520
	<u>\$ 420,994</u>	<u>\$ 452,918</u>
Summary of allocations		
Fund development	\$ 84,199	\$ 90,584
Public policy and program initiatives	181,027	194,754
Marketing and communications	84,199	90,584
Finance and operations	71,569	76,996
	<u>\$ 420,994</u>	<u>\$ 452,918</u>

Alzheimer Society of Ontario

Notes to the Financial Statements

Year ended March 31, 2014

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. The Society is also exposed to concentration risk in that all of its cash is held with financial institutions and the balances held are in excess of Canadian Deposit Insurance Corporation (CDIC) Limits.

Interest rate risk

Interest rate risk is the risk that the fair value (price risk) or future cash flows of a financial instrument will fluctuate because of changes in market interest rates (cash flow risk). 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 and accrued liabilities. Liquidity risk is not considered to be significant.

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 figures

Certain of the comparative figures have been reclassified to conform to current year presentation.