

**Alzheimer Society of Ontario**  
**Financial Statements**  
For the year ended March 31, 2015

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**Contents**

<b>Independent Auditor's Report</b>	<b>2</b>
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Changes in Fund Balances	4
Statement of Revenue and Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 15



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## Independent Auditor's Report

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### To the Members of Alzheimer Society of Ontario

We have audited the statement of financial position of Alzheimer Society of Ontario as at March 31, 2015 and the statements of changes in fund balances, revenue and expenses 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 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, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Other Matters

The financial statements of Alzheimer Society of Ontario for the year ended March 31, 2014 were audited by another auditor who expressed an unqualified audit opinion on those statements on June 20, 2014.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Mississauga, Ontario  
June 19, 2015

**Alzheimer Society of Ontario**  
**Statement of Financial Position**

March 31 2015 2014

**Assets**

**Current**

Cash and cash equivalents	\$ 3,056,015	\$ 2,362,452
Accounts receivable (Note 2)	434,589	622,889
Prepaid expenses	16,054	22,442

3,506,658 3,007,783

Long-term investments (Note 3)	3,074,722	3,116,084
Property and equipment (Note 4)	63,153	80,392

\$ 6,644,533 \$ 6,204,259

**Liabilities and Fund Balances**

**Current**

Accounts payable and accrued liabilities (Note 5)	\$ 550,269	\$ 516,476
Deferred revenue (Note 6)	1,104,985	1,200,446
Amounts held in trust (Note 7)	10,683	42,428

1,665,937 1,759,350

**Fund balances**

Internally restricted funds	2,889,989	2,748,234
Invested in property and equipment fund	63,153	80,392
Unrestricted fund	2,025,454	1,616,283

4,978,596 4,444,909

\$ 6,644,533 \$ 6,204,259

On behalf of the Board:

R. Corbett Director

J. Evans Director

**Alzheimer Society of Ontario**  
**Statement of Changes in Fund Balances**

**For the year ended March 31, 2015**

	Internally Restricted Funds			Invested in Property and Equipment	Unrestricted Fund	2015	2014
	Fiscal Strength Fund	Research Contributions Fund	Strategic Investment Fund				
<b>Fund balance, beginning of year</b>	\$ 1,400,000	\$ 1,062,500	\$ 89,436	\$ 80,392	\$ 1,616,283	\$ 4,444,909	\$ 3,793,613
Excess of revenue (deficiency) over expenses for the year	-	-	(58,245)	(19,812)	611,744	533,687	651,296
Purchase of property and equipment	-	-	-	2,573	(2,573)	-	-
Transfer to Research Contributions Fund	-	196,298	-	-	-	-	-
Transfer to Strategic Investment Fund	-	-	200,000	-	(200,000)	-	-
<b>Fund balance, end of year</b>	<b>\$ 1,400,000</b>	<b>\$ 1,258,798</b>	<b>\$ 231,191</b>	<b>\$ 63,153</b>	<b>\$ 2,025,454</b>	<b>\$ 4,978,596</b>	<b>\$ 4,444,909</b>

The accompanying notes are an integral part of these financial statements.

## Alzheimer Society of Ontario Statement of Revenue and Expenses

For the year ended March 31	2015	2014
<b>Revenue</b>		
Fund development revenue (Note 9)	\$ 7,751,830	\$ 7,317,595
Deferred program revenue recognized (Note 6)	1,598,858	1,230,051
Investment income (Note 3)	358,060	424,628
Other	32,999	50,058
	<u>9,741,747</u>	<u>9,022,332</u>
<b>Expenses</b>		
Fund development expense	376,712	514,811
Alzheimer Society of Canada operating cost assessment (Note 8a)	1,785,409	1,722,041
Public policy and program initiatives	1,026,556	1,065,292
Marketing and communications	565,783	427,399
Finance and operations	403,329	323,251
Governance	491,816	403,804
	<u>4,649,605</u>	<u>4,456,598</u>
brainXchange program	244,038	268,152
Minds in Motion	272,441	92,217
Finding Your Way program	765,005	684,237
Scholarship fund	140,930	60,394
U-First program	72,163	91,084
Other general programs	104,281	33,967
	<u>1,598,858</u>	<u>1,230,051</u>
<b>Operating surplus</b>	<b>3,493,284</b>	<b>3,335,683</b>
Alzheimer Society of Canada Research Program contributions	(2,018,352)	(1,796,191)
Strategic investment fund expenses	(58,245)	(5,196)
Revenue sharing - Local Societies (Note 8b)	(883,000)	(883,000)
<b>Excess of revenue over expenses</b>	<b>\$ 533,687</b>	<b>\$ 651,296</b>

The accompanying notes are an integral part of these financial statements.

**Alzheimer Society of Ontario**  
**Statement of Cash Flows**

**For the year ended March 31** **2015** **2014**

**Cash provided by (used in)**

**Operating activities**

Excess of revenue over expenses	\$ 533,687	\$ 651,296
Adjustments required to reconcile excess of revenue over expenses with net cash provided by operating activities		
Amortization of property and equipment	19,812	36,652
Unrealized gains	(184,508)	(306,425)
Changes in non-cash working capital balances		
Accounts receivable	188,300	422,412
Prepaid expenses	6,388	13,141
Accounts payable and accrued liabilities	33,793	(373,289)
Deferred revenue	(95,461)	(21,871)
Amounts held in trust	(31,745)	1,960
	<b>470,266</b>	<b>423,876</b>

**Investing activities**

Sales (purchase) of long-term investments	225,870	(676,879)
Purchase of property and equipment	(2,573)	(13,554)
	<b>223,297</b>	<b>(690,433)</b>

**Increase (decrease) in cash and cash equivalents during the year**

**693,563** **(266,557)**

**Cash and cash equivalents, beginning of year**

**2,362,452** **2,629,009**

**Cash and cash equivalents, end of year**

**\$ 3,056,015** **\$ 2,362,452**

**Cash and cash equivalents consists of:**

Cash	\$ 306,015	\$ 457,252
Cash equivalents - Guaranteed investment certificates	2,750,000	1,905,200

**\$ 3,056,015** **\$ 2,362,452**

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# Alzheimer Society of Ontario

## Notes to Financial Statements

March 31, 2015

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### 1. Summary of Significant Accounting Policies

#### **Purpose of the Organization**

The Alzheimer Society of Ontario (the "Society") is an association of individually incorporated Member Local Societies 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.

#### **Basis of Accounting**

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

#### **Financial Statement Presentation**

These 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 Local Societies of the Society are not included in these financial statements.

#### **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 and interest expense. Interest income is recorded using the accrual method and dividends are recorded when declared.

#### **Internally Restricted Funds**

##### *Fiscal Strength Fund*

The purpose of the Fiscal Strength Fund is to manage the financial risk of the Society and its Member Local Societies 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. Additions to the fund and expenditures from the fund require Board approval.

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## Alzheimer Society of Ontario Notes to Financial Statements

March 31, 2015

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### 1. Summary of Significant Accounting Policies (continued)

#### Internally Restricted Funds (continued)

##### *Research Contributions Fund*

The fund represents amounts received which have been internally restricted for research. Additions to the fund and expenditures from the fund require Board approval.

##### *Strategic Investment Fund*

The purpose of the 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*

The purpose of the Donor Fund is to support research. Additions to the fund and expenditures from the fund require Board approval.

#### 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*

The Society subsequently measures its financial assets and liabilities at amortized cost less impairment, except for those equities quoted in an active market, which are 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 3. The financial instruments measured at amortized cost are cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities.

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 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.

#### 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 amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from management's best estimates as additional information becomes available in the future.



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## Alzheimer Society of Ontario Notes to Financial Statements

March 31, 2015

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### 1. Summary of Significant Accounting Policies (continued)

#### Cash and Cash Equivalents

Cash and cash equivalents include deposits in banks, certificates on deposit, cashable guaranteed investment certificates and short-term investments with original maturity dates of three months or less. The cashable guaranteed investment certificates mature May 2015 to February 2016 and earn interest at rates of 0.95% to 1.91% (2014 - 1.5% to 2.2%).

#### Property and Equipment

Purchased property and equipment are recorded at cost. The Society provides for amortization using the straight-line method at rates designed to amortize the cost of the property and equipment over their estimated useful lives. The annual amortization rates are as follows:

Furniture and equipment	- 5 years
Computer equipment	- 3 years
Leasehold improvements	- over term of lease

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.

#### 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.

#### Foreign Currency

The Society's functional and reporting currency is the Canadian dollar. The Society's results of operations denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at that date. At the transaction date, each asset is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the period end date, monetary assets and investments carried at fair value are translated into Canadian dollars by using the exchange rate in effect at that date. Exchange gains and losses arising from these transactions are reflected in income or expense in the period.

#### 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 of Directors are volunteers who serve without remuneration.

**Alzheimer Society of Ontario**  
**Notes to Financial Statements**

**March 31, 2015**

**2. Accounts Receivable**

	2015	2014
Alzheimer Society of Canada	\$ -	\$ 294,876
Member Local Societies	159,342	157,652
Government	157,013	98,129
Other	118,234	72,232
	\$ 434,589	\$ 622,889

**3. Long-term Investments**

The fair value of long-term investments is as follows:

	2015	2014
Cash and cash equivalents	\$ 175,291	\$ 111,483
Fixed income	1,108,977	1,351,573
Common stocks and equities - Canadian	471,047	180,366
Common stocks and equities - Foreign	1,319,407	1,472,662
	\$ 3,074,722	\$ 3,116,084

The cash and cash equivalents are comprised of cash in the investment account and short-term deposits due May 2015 to November 2015 (2014 - cash and short-term deposits due April 2014).

The fixed income investments mature from June 2015 to September 2023 and earn interest at rates of 1.24% to 9.95% (2014 - November 2014 to September 2023, 1.385% to 9.95%).

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

**Alzheimer Society of Ontario**  
**Notes to Financial Statements**

**March 31, 2015**

**3. Long-term Investments (continued)**

Investment income comprises:

	2015	2014
Investment income	\$ 209,436	\$ 150,979
Unrealized gains	184,508	306,425
Less: management fees	(35,884)	(32,776)
	\$ 358,060	\$ 424,628

**4. Property and Equipment**

	2015		2014	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 128,852	\$ 128,852	\$ 128,852	\$ 128,852
Computer equipment	330,443	320,332	327,870	312,100
Leasehold improvements	132,401	79,359	132,401	67,779
	\$ 591,696	\$ 528,543	\$ 589,123	\$ 508,731
Net book value		\$ 63,153		\$ 80,392

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

**5. Accounts Payable and Accrued Liabilities**

	2015	2014
Alzheimer Society of Canada	\$ 216,839	\$ 104,198
Other	333,430	387,278
	\$ 550,269	\$ 491,476

**Alzheimer Society of Ontario**  
**Notes to Financial Statements**

**March 31, 2015**

**6. Deferred Revenue**

	2015 Opening Balance	Amounts Received	Program Expenses	Transfers	2015 Closing Balance
brainXchange grant (a)	\$ 171,130	\$ 143,654	\$ 244,038	\$ 100,000	\$ 170,746
Minds in Motion - MTCS (b)	-	189,323	133,376	-	55,947
Minds in Motion - Ontario Trillium Foundation Grant (b)	-	147,900	139,065	-	8,835
Finding Your Way Program (c)	14,150	750,855	765,005	-	-
Scholarship Fund (d)	443,093	-	140,930	(100,000)	202,163
Deferred Research Fund	250,000	-	-	-	250,000
U-First Program (e)	226,351	98,860	72,163	-	253,048
Other general programs	95,722	172,805	104,281	-	164,246
	<b>\$1,200,446</b>	<b>\$1,503,397</b>	<b>\$1,598,858</b>	<b>\$ -</b>	<b>\$1,104,985</b>

(a) The brainXchange program (formally known as the Alzheimer Knowledge Exchange program) is supported by a grant from the Ministry of Health and Long Term Care and by income earned by brainXchange. The brainXchange program facilitates the exchange of information, innovation and expertise among caregivers, educators, research and policy makers by connecting people to knowledge and dementia expertise.

During fiscal 2015, there was a transfer of funds from the Scholarship fund to the brainXchange program in the amount of \$100,000.

(b) Minds in Motion is a community-based social program that incorporates physical activity and mental stimulation for people with early to mid-stage signs of Alzheimer's disease or other dementias and their care partners.

(c) During fiscal 2015, the Society received \$746,600 (2014 - \$650,000) from the Ontario Seniors' Secretariat for 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.

(d) The Scholarship Fund was established in fiscal 2012 through a donation from an anonymous donor and will be disbursed over the next five years.

(e) U-First is a dementia education and training program in Ontario for healthcare professionals.

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**Alzheimer Society of Ontario**  
**Notes to Financial Statements**

**March 31, 2015**

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**7. Amounts Held in Trust**

The Society collects and holds funds on behalf of Local Societies. The Society is not entitled to the funds, and accordingly, the balance has been represented as held in trust for the Local Societies.

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**8. Commitments**

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:

2016	\$	120,207
2017		120,207
2018		120,207
2019		<u>80,137</u>
	\$	<u>440,758</u>

Federation Agreements

(a) 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 Local 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.

(b) On April 1, 2009, the Society entered into a five year federation agreement with the then 39 Member Local Societies in Ontario, which was extended for a period of a year as at March 26, 2015. Under the terms of the agreement, the Society will distribute to the Local Societies all revenue received according to where the donor resides (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 local society, \$250,000 to the Ottawa member local society, and \$9,000 to each of the remaining Local Societies. In addition, the agreement provides for the sharing of other miscellaneous revenues.

**Alzheimer Society of Ontario**  
**Notes to Financial Statements**

**March 31, 2015**

**9. Fund Development Revenue**

	2015	2014
Bequests	\$ 2,323,779	\$ 1,213,847
Direct response	4,225,988	4,749,460
Donations	988,476	1,172,185
Member local society contributions for research	213,587	182,103
	\$ 7,751,830	\$ 7,317,595

**10. 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.

	2015	2014
Summary of expenses:		
Facilities and office	\$ 372,518	\$ 325,454
Professional fees and consulting	46,436	62,219
Amortization	19,812	36,652
	\$ 438,766	\$ 424,325

Summary of allocations:

Fund development	\$ 54,525	\$ 84,199
Public policy and program initiatives	224,056	181,027
Marketing and communications	87,320	84,199
Finance and operations	70,696	71,569
	\$ 436,597	\$ 420,994

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**Alzheimer Society of Ontario**  
**Notes to Financial Statements**

**March 31, 2015**

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**11. Financial Instruments**

**Credit risk**

Credit risk arises from the potential that a counterparty will fail to perform its obligations. 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.

**Market risk**

Market risk is the risk of potential loss caused by fluctuations in fair value or future cash flows of financial instruments through changes in their underlying market value. The Society is exposed to this risk through its long-term investments. The Society manages its risk through its Statement of Investment Policies and Guidelines.

**Interest rate risk**

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

**Currency risk**

Currency risk is the risk that arises from fluctuations in foreign exchange rates. The Society is exposed to currency risk with respect to their long-term investments denominated in foreign currencies.

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**12. Comparative Figures**

Certain comparative figures have been reclassified to conform with the method of presentation adopted for the current year.

