



Financial Statements

*Alzheimer Society of Canada/
Société Alzheimer du Canada*

March 31, 2017

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Independent Auditor's Report

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To the Members 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 statement of financial position 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 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 Canada/Société Alzheimer du Canada as at March 31, 2017, 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.



Toronto, Canada
June 3, 2017

Chartered Professional Accountants
Licensed Public Accountants

Alzheimer Society of Canada/ Soci t  Alzheimer du Canada

Statement of Operations

Year ended March 31

2017

2016
(Restated,
Note 2)

Revenue

Support from public

Individual giving and direct marketing

\$ 9,050,314 \$ 8,648,358

Bequests

1,984,506 1,535,079

Corporate and foundation giving

1,166,002 992,019

12,200,822 11,175,456

Partner charities (Note 11)

11,162,655 12,406,570

Realized investment income and other income (Note 4)

482,170 508,815

Government

- 795,303

Total revenues

23,845,647 24,886,144

Expenditures

Programs

Services

2,129,202 2,126,574

Research

4,667,276 4,819,967

Partner charities (Note 11)

11,846,966 11,424,504

Government health programs

37,213 770,324

18,680,657 19,141,369

Support

Fundraising

4,475,409 4,581,466

General and administrative

862,341 883,077

5,337,750 5,464,543

Total expenditures

24,018,407 24,605,912

Excess (deficiency) of revenue over expenditures

before unrealized capital (losses) gains on investments

(172,760) 280,232

Unrealized capital (losses) gains on investments (Note 4)

393,301 (504,497)

Excess (deficiency) of revenue over expenditures

\$ 220,541 \$ (224,265)

**Alzheimer Society of Canada/
Soci t  Alzheimer du Canada**
Statement of Changes in Net Assets

Year ended March 31

	Restricted for endowment purposes (Note 10)	Externally restricted research fund	Internally restricted research fund	Invested in equipment	Internally restricted operating reserve	Unrestricted	Total 2017	Total 2016 (Restated, Note 2)
Net assets, as at April 1, 2016								
As previously reported	\$ 990,110	\$ 2,185,810	\$ 1,490,723	\$ 41,418	\$ 2,431,648	\$ -	\$ 7,139,709	\$ 7,353,280
Prior period adjustment (Note 2)	-	(2,185,810)	-	-	-	-	(2,185,810)	(2,175,316)
As restated	990,110	-	1,490,723	41,418	2,431,648	\$ -	4,953,899	5,177,964
Excess (deficiency) of revenue over expenditures	111,049	-	-	(19,926)	-	129,418	220,541	(224,265)
Endowment contributions	19,530	-	-	-	-	-	19,530	200
Transfer of 2017 spendable portion of endowment	(93,428)	-	77,605	-	-	15,823	-	-
Investment in equipment	-	-	-	22,233	-	(22,233)	-	-
Net assets, as at March 31, 2017	\$ 1,027,261	\$ -	\$ 1,568,328	\$ 43,725	\$ 2,431,648	\$ 123,008	\$ 5,193,970	\$ 4,953,899

See accompanying notes to the financial statements.

**Alzheimer Society of Canada/
Soci t  Alzheimer du Canada**
Statement of Financial Position

March 31

2017

2016
(Restated,
Note 2)

Assets

Current

Cash	\$ 2,694,493	\$ 2,334,525
Short-term investments (Note 4)	1,983,698	3,163,431
Accounts receivable (Note 5)	4,734,537	9,834,794
Prepaid expenses	44,309	58,508
Total current assets	<u>9,457,037</u>	<u>15,391,258</u>

Long-term investments (Note 4)	9,119,092	6,441,747
Property and equipment (Note 6)	43,725	41,418

Total assets	<u>\$ 18,619,854</u>	<u>\$ 21,874,423</u>
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Liabilities

Current

Accounts payable and accrued liabilities (Note 7)	\$ 6,286,226	\$ 10,933,594
Deferred revenue (Note 8)	4,401,826	3,203,970
Research funding (Note 9)	2,114,304	1,680,489
Total current liabilities	12,802,356	15,818,053

Long-term portion of research funding (Note 9)	623,528	1,102,471
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Total liabilities	<u>13,425,884</u>	<u>16,920,524</u>
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Net assets

Endowment fund (Note 10)	1,027,261	990,110
Research fund - internally restricted	1,568,328	1,490,723
Invested in equipment	43,725	41,418
Operating reserve	2,431,648	2,431,648
Unrestricted	123,008	-

Total net assets	<u>5,193,970</u>	<u>4,953,899</u>
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Total liabilities and net assets	<u>\$ 18,619,854</u>	<u>\$ 21,874,423</u>
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On behalf of the Board

Director

Director

Alzheimer Society of Canada/ Soci t  Alzheimer du Canada

Statement of Cash Flows

Year ended March 31

2017

2016
(Restated,
Note 2)

(Decrease) increase in cash

Operating

Excess (deficiency) of revenue over expenditures \$ 220,541 \$ (224,265)

Items not affecting cash

Amortization 19,926 17,235

Unrealized capital losses (gains) on investments (Note 4) (393,301) 504,497

(152,834) 297,467

Change in non-cash working capital items

Accounts receivable 5,100,257 1,873,087

Prepaid expenses 14,199 10,940

Accounts payable and accrued liabilities (4,647,368) (973,660)

Deferred revenue 1,197,856 1,078,465

1,664,944 1,988,832

Research funding

(45,128) 354,645

1,466,982 2,640,944

Financing

Endowment contributions 19,530 200

Investing

Short-term investments (net) 1,179,733 (830,042)

Long-term investments (net) (2,284,044) (236,050)

Purchase of equipment (22,233) -

(1,126,544) (1,066,092)

Increase (decrease) in cash

359,968 1,575,052

Cash

Beginning of year 2,334,525 759,473

End of year \$ 2,694,493 \$ 2,334,525

Alzheimer Society of Canada/ Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2017

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 continues under the Canada Not-for-Profit Corporations Act, 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. These financial statements reflect only the assets, liabilities and operations under the administration of the Society.

2. Prior period adjustment

The Society has determined that externally restricted research contributions should be recorded as deferred revenue until spent. As a result, the Society's net assets as at April 1, 2016 has been reduced to \$4,953,899, and the March 31, 2016 financial statements have been restated. The details of the adjustments and their effect on the March 31, 2016 financial statements are outlined below:

	<u>Previously reported</u>	<u>Adjustments</u>	<u>Restated</u>
Partner assessments and contributions	\$ 7,781,090	\$ (10,494)	\$ 7,770,596
Deficiency of revenue over expenses	(213,771)	(10,494)	(224,265)
Externally restricted research fund, beginning of the year	2,175,316	(2,175,316)	-
Net assets, beginning of the year	7,353,280	(2,175,316)	4,953,899
Deferred revenue	1,018,160	2,185,810	3,203,970

Alzheimer Society of Canada/ Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2017

3. Significant accounting policies

Financial statement presentation

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 operations in the year they become known.

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

Financial instruments

Initial measurement

The Society's 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 cost or amortized cost (less impairment in the case of financial assets), except for investments in pooled funds 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 pooled funds quoted in an active market and in fixed income investments are recorded in the statement of operations and disclosed in Note 4. The financial instruments measured at amortized cost are cash, accounts receivable, accounts payable, and research funding.

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 operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Alzheimer Society of Canada/ Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2017

3. Significant accounting policies (continued)

Property and equipment

Property and equipment are recorded at cost and are being amortized over their estimated useful lives on a straight-line basis as follows:

Furniture and fixtures	5 years
Leasehold improvements	10 years
Computer equipment	3 years
Telephone equipment	5 years
Web portal	3 years

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.

Revenue recognition

Contributions, including individual giving and direct marketing, bequests, corporate and foundation giving, partner charities, and government 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.

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 annual amount of investment income that may be spent.

Realized investment income includes interest, dividends and realized 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. Unrealized gains or losses on investments are disclosed as a separate component in the statement of operations.

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 (Note 11).

Alzheimer Society of Canada/ Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2017

3. Significant accounting policies (continued)

Internally restricted net assets

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.

Internally restricted research fund

The research fund is composed of internally restricted funds designated by the Board to be spent on Alzheimer Society Research Program. The target balance for the research fund (in combination with externally restricted unexpended donations for research) 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.

4. Investments

Short-term investments consist of Foyston, Gordon & Payne Short Term funds of \$308,634 (2016 - \$307,039), cash and cash equivalents of \$2,064, and guaranteed investment certificates in the amount of \$1,673,000 (2016 - \$2,856,392).

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

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 188,558	\$ 373,887
Fixed income securities	4,055,141	2,693,247
Canadian equities	2,417,537	1,785,529
Foreign equities	<u>2,457,856</u>	<u>1,589,084</u>
	<u>\$ 9,119,092</u>	<u>\$ 6,441,747</u>

Fixed income securities bear a yield to maturity of 2.39% (2016 - 2.39%). Equities are invested in Canadian and international pooled funds.

Realized investment income is comprised of:

	<u>2017</u>	<u>2016</u>
Unrestricted fund		
Interest and dividends	\$ 254,579	\$ 305,945
Realized capital gains	45,055	32,382
	<u>299,634</u>	<u>338,327</u>
Endowment fund		
Interest and dividends	37,712	52,685
Realized capital gains	17,462	11,089
	<u>55,174</u>	<u>63,774</u>
Total realized investment income	354,808	402,101
Other income	<u>127,362</u>	<u>106,714</u>
Total realized investment income and other income	<u>\$ 482,170</u>	<u>\$ 508,815</u>

**Alzheimer Society of Canada/
Société Alzheimer du Canada**
Notes to Financial Statements

March 31, 2017

4. Investments - continued

	<u>2017</u>	<u>2016</u>
Unrealized capital (losses) gains on investments		
Unrestricted fund	\$ 337,426	\$ (406,402)
Endowment fund	<u>55,875</u>	<u>(98,095)</u>
	<u>\$ 393,301</u>	<u>\$ (504,497)</u>

5. Accounts receivable

	<u>2017</u>	<u>2016</u>
Government	\$ 299,713	\$ 306,896
Partner charities	4,011,077	9,153,239
Co-tenancy and other	<u>423,747</u>	<u>374,659</u>
	<u>\$ 4,734,537</u>	<u>\$ 9,834,794</u>

Accounts receivable are net of an allowance for doubtful accounts of \$Nil (2016 - \$Nil).

6. Property and equipment

			<u>2017</u>	<u>2016</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 132,265	\$ 128,368	\$ 3,897	\$ -
Leasehold improvements	129,330	107,776	21,554	34,488
Computer equipment	144,338	129,357	14,981	1,991
Telephone equipment	25,862	22,569	3,293	4,939
Web portal	<u>162,205</u>	<u>162,205</u>	<u>-</u>	<u>-</u>
	<u>\$ 594,000</u>	<u>\$ 550,275</u>	<u>\$ 43,725</u>	<u>\$ 41,418</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.

**Alzheimer Society of Canada/
Société Alzheimer du Canada**
Notes to Financial Statements

March 31, 2017

7. Accounts payable and accrued liabilities

	<u>2017</u>	<u>2016</u>
Trade accounts payable and accrued liabilities	\$ 1,271,858	\$ 652,959
Partner charities	<u>5,014,368</u>	<u>10,280,635</u>
	<u>\$ 6,286,226</u>	<u>\$ 10,933,594</u>

8. 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 disbursements are made.

	<u>2017 Opening Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>2017 Closing Balance</u>
Research	<u>\$ 3,203,970</u>	<u>\$ 5,408,423</u>	<u>\$ (4,210,567)</u>	<u>\$ 4,401,826</u>

9. Research funding

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 2,782,960	\$ 2,428,315
Current year grants awarded, net of declined and terminated awards	3,762,963	4,284,754
Payments	(3,695,760)	(3,776,712)
Terminations of grants awarded in previous years	<u>(112,332)</u>	<u>(153,397)</u>
Balance, end of year	2,737,831	2,782,960
Less: long-term portion	<u>(623,527)</u>	<u>(1,102,471)</u>
Current portion of research funding	<u>\$ 2,114,304</u>	<u>\$ 1,680,489</u>

Alzheimer Society of Canada/ Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2017

10. Net assets restricted for endowment purposes

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 990,110	\$ 1,115,794
Contributions	19,530	200
Investment income (loss) (Note 4)	111,049	(34,321)
Transfer of spendable portion	<u>(93,428)</u>	<u>(91,563)</u>
Balance, end of year	<u>\$ 1,027,261</u>	<u>\$ 990,110</u>

The original endowment contributions which must be maintained in perpetuity is \$871,331 (2016 - \$851,801).

11. 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 charities revenue:

	<u>2017</u>	<u>2016</u>
Health partners	\$ 828,528	\$ 807,270
Research assessment and additional federation contributions for research	3,492,340	4,483,297
Operating assessment	3,015,458	3,015,458
Direct mail assessment	3,580,862	3,828,705
Walk for Alzheimer's recovery	<u>245,467</u>	<u>271,840</u>
	<u>\$ 11,162,655</u>	<u>\$ 12,406,570</u>

Partner charities expenses:

	<u>2017</u>	<u>2016</u>
Revenue flowed to partners	\$ 11,488,436	\$ 10,960,816
Partner services	74,821	108,057
Federation council support	38,242	83,791
Walk for Alzheimer's expenses	<u>245,467</u>	<u>271,840</u>
	<u>\$ 11,846,966</u>	<u>\$ 11,424,504</u>

Alzheimer Society of Canada/ Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2017

11. Federation agreement - continued

Revenue flowed to partners:

	<u>2017</u>	<u>2016</u>
Direct mail	\$ 6,122,216	\$ 5,890,599
Donations	3,381,714	3,535,138
Bequests	<u>1,984,506</u>	<u>1,535,079</u>
	<u>\$ 11,488,436</u>	<u>\$ 10,960,816</u>

12. Allocation of expenses

The Society incurred certain management and administrative salaries and overhead expenses in the aggregate amount of \$1,029,182 (2016 - \$859,947) which are allocated based on department head count. These general and administrative expenses are allocated as follows:

	<u>2017</u>	<u>2016</u>
Research program	\$ 171,271	\$ 151,597
Public education	500,003	452,009
Fundraising	<u>357,908</u>	<u>256,341</u>
	<u>\$ 1,029,182</u>	<u>\$ 859,947</u>

13. Bank indebtedness

The Society has a credit facility in the amount of \$700,000 bearing interest at prime (2.70% as at March 31, 2017) and repayable on demand. The credit facility is secured 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.

Alzheimer Society of Canada/ Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2017

14. Commitments

Pursuant to a co-tenancy agreement signed on April 1, 2008, the Alzheimer Society of Ontario, the Alzheimer Society of Toronto, and the Society co-located in new premises in order to benefit from efficiencies of scale. The lease was subsequently renewed and signed April 11, 2017. The co-tenancy agreement sets out the terms of the sharing of costs (based on the related cost drivers, which are primary shared equally to each of the three co-tenants). Shared costs include leasehold improvements, furniture, equipment, supplies, rent, phones and IT.

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

2018	\$ 80,138
2019	117,043
2020	117,571
2021	118,625
2022	119,152
Thereafter	<u>567,291</u>
	<u>\$ 1,119,820</u>

In the prior year, the Alzheimer Societies of Canada, Ontario and Toronto established a shared services centre to centralize the delivery of some administrative services. Under the terms of the shared services agreement, the Society's portion of costs is determined annually. The annual cost for the current fiscal year was \$531,127.

15. 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.

**Alzheimer Society of Canada/
Société Alzheimer du Canada
Notes to Financial Statements**

March 31, 2017

15. Financial instruments - continued

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, 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 exposed to currency risk on its investments held in foreign currencies.

16. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.