

**Alzheimer Society of Canada/Société
Alzheimer du Canada
Financial Statements
For the year ended March 31, 2018**

Contents

Independent Auditor's Report	2
Financial Statements	
Statement of Revenue and Expenses	3
Statement of Financial Position	4
Statement of Changes in Fund Balances	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 16



Tel: 905 270-7700
Fax: 905 270-7915
Toll-free: 866 248 6660
www.bdo.ca

BDO Canada LLP
1 City Centre Drive, Suite 1700
Mississauga ON L5B 1M2 Canada

Independent Auditor's Report

To the Members of Alzheimer Society of Canada/Société Alzheimer du Canada

We have audited the statement of financial position of Alzheimer Society of Canada/Société Alzheimer du Canada as at March 31, 2018 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 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, 2018 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 Canada/Société Alzheimer du Canada for the year ended March 31, 2017 were audited by another auditor who expressed an unqualified audit opinion on those statements on June 3, 2017.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
June 2, 2018

Alzheimer Society of Canada/Société Alzheimer du Canada Statement of Revenue and Expenses

For the year ended March 31	2018	2017
Revenue		
Support from the public		
Individual giving and direct marketing	\$ 9,101,946	\$ 9,050,314
Bequests	1,444,847	1,984,506
Corporate giving and foundation giving	1,177,280	1,166,002
	<hr/>	<hr/>
Total support from the public	11,724,073	12,200,822
Partner charities (Note 9)	6,781,400	7,336,326
Investment and other income (Note 3c)	762,519	482,170
	<hr/>	<hr/>
Total revenue	19,267,992	20,019,318
Expenses		
Programs		
Services	2,356,198	2,129,202
Research	3,814,712	4,667,276
Partner charities (Note 9)	11,182,574	11,601,498
Government health programs	-	37,213
	<hr/>	<hr/>
Total program expenses	17,353,484	18,435,189
Support		
Fundraising	699,683	894,547
Administration (Note 13)	718,966	862,341
	<hr/>	<hr/>
Total support expenses	1,418,649	1,756,888
	<hr/>	<hr/>
Total expenses	18,772,133	20,192,077
Excess (deficiency) of revenue over expenses before unrealized gains (losses) on investments	495,859	(172,760)
Unrealized gains (losses) on investments (Note 3d)	(12,233)	393,301
	<hr/>	<hr/>
Excess of revenue over expenses	\$ 483,626	\$ 220,541

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

Alzheimer Society of Canada/Société Alzheimer du Canada
Statement of Financial Position

March 31 **2018** **2017**

Assets

Current

Cash	\$ 3,403,713	\$ 2,694,493
Short-term investments (Note 3a)	311,220	1,983,698
Accounts receivable (Note 2)	4,889,966	4,734,537
Prepaid expenses	49,054	44,309

8,653,953 **9,457,037**

Long-term investments (Note 3b)	8,376,726	7,967,363
Restricted long-term investments (Note 3b)	1,201,907	1,151,729
Property and equipment (Note 4)	41,103	43,725

\$ 18,273,689 **\$ 18,619,854**

Liabilities and Fund Balances

Current

Accounts payable and accrued liabilities (Note 5)	\$ 5,472,745	\$ 6,286,226
Deferred revenue (Note 6)	2,310,150	2,185,808
Research grants payable (Note 7)	2,100,229	2,114,304

9,883,124 **10,586,338**

Deferred revenue (Note 6)	2,169,462	2,216,018
Research grants payable (Note 7)	543,407	623,528

12,595,993 **13,425,884**

Fund balances

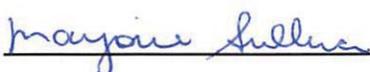
Endowment fund	972,936	1,027,261
Invested in property and equipment	41,103	43,725
Internally restricted operating reserve	2,431,648	2,431,648
Internally restricted research fund	1,646,926	1,568,328
Unrestricted fund	585,083	123,008

5,677,696 **5,193,970**

\$ 18,273,689 **\$ 18,619,854**

On behalf of the Board:

 _____ Director

 _____ Director

Alzheimer Society of Canada/Société Alzheimer du Canada
Statement of Changes in Fund Balances

For the year ended March 31

	Restricted for Endowment Fund (Note 8)	Invested in Property and Equipment	Internally Restricted Operating Reserve	Internally Restricted Research Fund	Unrestricted	2018	2017
Fund balance, beginning of year	\$ 1,027,261	\$ 43,725	\$ 2,431,648	\$ 1,568,328	\$ 123,008	\$ 5,193,970	\$ 4,953,899
Excess (deficiency) of revenue over expenses for the year	40,196	(22,675)	-	-	466,105	483,626	220,541
Endowment contributions	100	-	-	-	-	100	19,530
Transfer from/to Research Contributions Fund	(94,621)	-	-	78,598	16,023	-	-
Purchase of property and equipment	-	20,053	-	-	(20,053)	-	-
Fund balance, end of year	\$ 972,936	\$ 41,103	\$ 2,431,648	\$ 1,646,926	\$ 585,083	\$ 5,677,696	\$ 5,193,970

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

Alzheimer Society of Canada/Société Alzheimer du Canada
Statement of Cash Flows

For the year ended March 31	2018	2017
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	\$ 483,626	\$ 220,541
Adjustments required to reconcile excess of revenue over expenses with net cash provided by operating activities		
Amortization of property and equipment	22,675	19,926
Unrealized capital losses (gains)	12,233	(393,301)
Changes in non-cash working capital balances		
Accounts receivable	(155,429)	5,100,257
Prepaid expenses	(4,745)	14,199
Accounts payable and accrued liabilities	(813,481)	(4,647,368)
Deferred revenue	77,786	1,197,856
Research grants payable	(94,196)	(45,128)
	(471,531)	1,466,982
Investing activities		
Sale of short-term investments	1,672,478	1,179,733
Purchase of long-term investments	(471,774)	(2,284,044)
Purchase of property and equipment	(20,053)	(22,233)
	1,180,651	(1,126,544)
Financing activity		
Endowment contributions	100	19,530
	709,220	359,968
Increase in cash during the year	709,220	359,968
Cash, beginning of year	2,694,493	2,334,525
Cash, end of year	\$ 3,403,713	\$ 2,694,493

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

Alzheimer Society of Canada/Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies

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.

Basis of Accounting

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASPNO).

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.

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 revenue and expenses.

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.

Alzheimer Society of Canada/Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Internally Restricted Net Assets (continued)

Internally restricted research fund

The research fund is composed of internally restricted funds designated by the Board to be spent on the 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.

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 cost or amortized cost less impairment, except for investments in pooled funds quoted in an active market, which are measured at fair value. All changes in fair value of the Society's investments are recorded in the statement of revenue and expenses and disclosed in Note 3.

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.

Alzheimer Society of Canada/Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

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 fixtures	- 5 years
Computer equipment	- 3 years
Leasehold improvements	- over term of lease
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 the 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 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 (Note 10).

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 Canada/Société Alzheimer du Canada
Notes to Financial Statements

March 31, 2018

2. Accounts Receivable

	2018	2017
Government	\$ 337,513	\$ 299,713
Partner charities	4,244,972	4,011,077
Co-tenancy and other	307,481	423,747
	\$ 4,889,966	\$ 4,734,537

3. Investments

a) Short-term investments consist of Foyston, Gordon & Payne Short Term Funds of \$311,220 (2017 - \$308,634), cash and cash equivalents of \$Nil (2017 - \$2,064) and guaranteed investment certificates in the amount of \$Nil (2017 - \$1,673,000).

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

	2018	2017
Cash and cash equivalents	\$ 507,631	\$ 188,558
Fixed income securities	4,232,917	4,055,141
Canadian equities	2,382,974	2,417,537
Foreign equities	2,455,111	2,457,856
	\$ 9,578,633	\$ 9,119,092

\$1,201,907 (2017 - \$1,151,729) of long-term investments are externally restricted for research, while \$8,376,726 (2017 - \$7,967,363) are unrestricted.

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

March 31, 2018

3. Investments (continued)

c) Realized investment income is comprised of:

	2018	2017
Unrestricted Fund:		
Interest and dividends	\$ 244,475	\$ 254,579
Realized gains	62,765	45,055
	307,240	299,634
Endowment Fund		
Interest and dividends	30,344	37,712
Realized gains	8,908	17,462
	39,252	55,174
Total realized investment income	346,492	354,808
Other income	416,027	127,362
Total realized investment income and other income	\$ 762,519	\$ 482,170

d) Unrealized investment income is comprised of:

	2018	2017
Unrealized gains (losses) on investments		
Unrestricted fund	\$ (13,177)	\$ 337,426
Endowment fund	944	55,875
	\$ (12,233)	\$ 393,301

4. Property and Equipment

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 132,265	\$ 129,234	\$ 132,265	\$ 128,368
Computer equipment	155,571	136,518	144,338	129,357
Leasehold improvements	138,150	120,777	129,330	107,776
Telephone equipment	25,862	24,216	25,862	22,569
Web portal	162,205	162,205	162,205	162,205
	\$ 614,053	\$ 572,950	\$ 594,000	\$ 550,275
Net book value		\$ 41,103		\$ 43,725

Alzheimer Society of Canada/Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2018

4. Property and Equipment (continued)

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

	2018	2017
Trade accounts payable and accrued liabilities	\$ 506,036	\$ 1,271,858
Partner charities	4,966,709	5,014,368
	\$ 5,472,745	\$ 6,286,226

6. Deferred Revenue

Short and long-term 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.

	2018	2017
Balance, beginning of year	\$ 4,401,826	\$ 3,203,970
Contributions	5,447,254	5,408,423
Disbursements	(5,369,468)	(4,210,567)
	\$ 4,479,612	\$ 4,401,826

7. Research Grants Payable

	2018	2017
Balance, beginning of year	\$ 2,737,831	\$ 2,782,960
Current year grants awarded, net of declined and terminated awards	3,367,272	3,762,963
Payments	(3,371,213)	(3,695,760)
Terminations of grants awarded in previous years	(90,254)	(112,332)
	2,643,636	2,737,831
Less: long-term portion	(543,407)	(623,527)
	\$ 2,100,229	\$ 2,114,304

Alzheimer Society of Canada/Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2018

8. Net Assets Restricted for Endowment Purposes

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 1,027,261	\$ 990,110
Contributions	100	19,530
Investment income (Note 3)	40,196	111,049
Transfer of spendable portion	<u>(94,621)</u>	<u>(93,428)</u>
Balance, end of year	<u>\$ 972,936</u>	<u>\$ 1,027,261</u>

The original endowment contributions which must be maintained in perpetuity is \$871,431 (2017 - \$871,331).

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.

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.

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

March 31, 2018

9. Federation Agreement (continued)

Partner charities revenue:

	2018	2017
Health partners	\$ 626,063	\$ 828,528
Research assessment and additional federation contributions for research	3,339,878	3,492,340
Operating assessment	2,815,458	3,015,458
	\$ 6,781,399	\$ 7,336,326

Partner charities expenses:

	2018	2017
Revenue flowed to partners	\$ 11,009,363	\$ 11,488,436
Partner services	161,104	74,821
Federation council support	-	38,241
Walk for Alzheimer's expenses, net of recovery	12,107	-
	\$ 11,182,574	\$ 11,601,498

Revenue flowed to partners:

	2018	2017
Direct mail	\$ 6,441,301	\$ 6,122,216
Donations	2,998,873	3,381,714
Bequests	1,569,189	1,984,506
	\$ 11,009,363	\$ 11,488,436

The gross expenses for the operation of the direct mail program and the Walk for Alzheimer's were \$3,786,022 (2017 \$3,826,330) which were then billed to the partner charities. These amounts were netted in the Statement of Revenue and Expenses.

Alzheimer Society of Canada/Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2018

10. Allocation of Expenses

The Society incurred certain management and administrative salaries and overhead expenses in the aggregate amount of \$890,579 (2017 - \$1,029,182) which are allocated based on proration of payroll costs among the various cost centres. These general and administrative expenses are allocated as follows:

	<u>2018</u>	<u>2017</u>
Research Program	\$ 191,122	\$ 171,271
Public Education	471,076	500,003
Fundraising	228,381	357,908
	<u>\$ 890,579</u>	<u>\$ 1,029,182</u>

11. Credit Facility

The Society has a credit facility in the amount of \$700,000 bearing interest at prime, repayable on demand and is secured by a general security agreement. The line of credit was not utilized during the year (2017 - \$Nil).

12. Commitments

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 lease was subsequently renewed until December 31, 2028. 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 commitments for the next five years and thereafter is as follows:

2019	\$ 80,138
2020	117,419
2021	117,948
2022	119,006
2023	119,535
Thereafter	<u>703,193</u>
	<u>\$ 1,257,239</u>

Alzheimer Society of Canada/Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2018

13. Shared Services

Effective April 1, 2016, the Society, in conjunction with Alzheimer Society of Ontario and Alzheimer Society of Toronto, agreed to merge the finance operations of each organization into one shared services department. Under the terms of the shared services agreement, the Society's portion of costs is determined annually. The cost related to the shared services department for the current year was \$559,466 (2017- \$531,127) and is included in administration on the statement of revenue and expenses.

14. Financial Instruments Risks

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 short-term and long-term investments. The Society manages its risk through its Statement of Investment Policies and Procedures.

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 arising from the possibility that changes in interest rates will affect the value of its investments. The Society manages its risk through its Statement of Investment Policies and Procedures.

These risks have not changed from prior year.

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 U.S. dollars.

These risks have not changed from the prior year.

15. Comparative Figures

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