

**Alzheimer Society of Ontario
Financial Statements
For the year ended March 31, 2019**

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Independent Auditor's Report

To the Board of Directors of Alzheimer Society of Ontario

Opinion

We have audited the financial statements of Alzheimer Society of Ontario (the "Society"), which comprise the statement of financial position as at March 31, 2019, and the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Mississauga, Ontario

June 14, 2019

Alzheimer Society of Ontario Statement of Revenue and Expenses

| For the year ended March 31 | 2019 | 2018 |
|--|---------------------|---------------------|
| Revenue | | |
| Support from the public | | |
| Individual giving and direct marketing | \$ 7,200,235 | \$ 6,700,158 |
| Bequests | 2,037,388 | 1,340,352 |
| Corporate giving | 209,976 | 162,061 |
| | 9,447,599 | 8,202,571 |
| Total support from the public | | |
| Government | | |
| Government health programs | 784,129 | 788,446 |
| Partner charities (Note 10) | 2,189,022 | 1,836,135 |
| Literature and seminars | 448,658 | 781,422 |
| Investment and other income | 277,603 | 280,708 |
| | 13,147,011 | 11,889,282 |
| Total revenue | | |
| Expenses | | |
| Programs | | |
| Services | 1,624,621 | 1,317,721 |
| Research | 1,757,245 | 1,924,375 |
| Partner charities (Note 10) | 3,258,394 | 2,558,261 |
| Government health programs | 784,129 | 788,446 |
| | 7,424,389 | 6,588,803 |
| Total program expenses | | |
| Support | | |
| Fundraising | 3,149,025 | 3,207,055 |
| Administration (Note 13) | 2,876,702 | 2,840,096 |
| | 6,025,727 | 6,047,151 |
| Total support expenses | | |
| Total expenses | 13,450,116 | 12,635,954 |
| Deficiency of revenue over expenses before unrealized gains (losses) on investments | (303,105) | (746,672) |
| Unrealized gains (losses) on investments | (44,580) | 9,175 |
| Deficiency of revenue over expenses | \$ (347,685) | \$ (737,497) |

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

Alzheimer Society of Ontario
Statement of Financial Position

March 31 **2019** **2018**

Assets

Current

| | | |
|----------------------------------|------------|--------------|
| Cash | \$ 785,903 | \$ 1,254,834 |
| Short-term investments (Note 3a) | - | 400,000 |
| Accounts receivable (Note 2) | 832,049 | 619,106 |
| Prepaid expenses | 76,819 | 78,535 |

1,694,771 **2,352,475**

| | | |
|---------------------------------|-----------|-----------|
| Long-term investments (Note 3b) | 3,276,942 | 3,209,274 |
| Property and equipment (Note 4) | 123,269 | 179,594 |
| Intangible assets (Note 5) | 787,147 | 862,356 |

\$ 5,882,129 **\$ 6,603,699**

Liabilities and Fund Balances

Current

| | | |
|---|------------|------------|
| Accounts payable and accrued liabilities (Note 7) | \$ 475,366 | \$ 689,415 |
| Deferred revenue (Note 8) | 357,481 | 420,341 |
| Amounts held in trust | - | 1,976 |
| Current portion of long-term debt (Note 9) | 190,000 | 95,000 |

1,022,847 **1,206,732**

| | | |
|-------------------------|-----------|-----------|
| Long-term debt (Note 9) | 1,615,000 | 1,805,000 |
|-------------------------|-----------|-----------|

2,637,847 **3,011,732**

Fund balances

| | | |
|---|-----------|-----------|
| Internally restricted funds | 1,538,547 | 1,797,345 |
| Invested in property and equipment fund | 123,269 | 179,594 |
| Invested in intangible assets fund | 787,147 | 862,356 |
| Unrestricted fund | 795,319 | 752,672 |

3,244,282 **3,591,967**

\$ 5,882,129 **\$ 6,603,699**

On behalf of the Board:

 _____ Director

 _____ Director

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

Alzheimer Society of Ontario
Statement of Changes in Fund Balances

For the year ended March 31

| | Internally Restricted Funds | | | Invested In Property and Equipment Fund | Invested in Intangible Assets Fund | Unrestricted Fund | 2019 | 2018 |
|---|-----------------------------|-----------------------------------|---------------------------------|---|---|----------------------|---------------------|---------------------|
| | Fiscal Strength Fund | Research Contributions Fund | Strategic Investment Fund | | | | | |
| Fund balance, beginning of year | \$ 1,400,000 | \$ 258,798 | \$ 138,547 | \$ 179,594 | \$ 862,356 | \$ 752,672 | \$ 3,591,967 | \$ 4,329,464 |
| Excess (deficiency) of revenue over expenses for the year | - | (258,798) | - | (64,714) | (97,651) | 73,478 | (347,685) | (737,497) |
| Purchase of property and equipment | - | - | - | 8,389 | - | (8,389) | - | - |
| Development of intangible assets | - | - | - | - | 22,442 | (22,442) | - | - |
| Fund balance, end of year | \$ 1,400,000 | \$ - | \$ 138,547 | \$ 123,269 | \$ 787,147 | \$ 795,319 | \$ 3,244,282 | \$ 3,591,967 |

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 | 2019 | 2018 |
|--|-------------------|---------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Deficiency of revenue over expenses | \$ (347,685) | \$ (737,497) |
| Adjustments required to reconcile deficiency of revenue over expenses with net cash provided by operating activities | | |
| Amortization of property and equipment | 64,714 | 46,285 |
| Amortization of intangible assets | 97,651 | 53,420 |
| Unrealized losses (gains) on long-term investments | 44,580 | (9,175) |
| Changes in non-cash working capital balances | | |
| Accounts receivable | (212,943) | 955,796 |
| Prepaid expenses | 1,716 | (29,433) |
| Accounts payable and accrued liabilities | (214,049) | (393,106) |
| Deferred revenue | (62,860) | (335,614) |
| Amounts held in trust | (1,976) | (3,671) |
| | (630,852) | (452,995) |
| Investing activities | | |
| Purchase of long-term investments | (112,248) | (127,953) |
| Maturity of short-term investments | 400,000 | - |
| Purchase of property and equipment | (8,389) | (149,210) |
| Development of intangible assets | (22,442) | (345,022) |
| | 256,921 | (622,185) |
| Financing activity | | |
| Proceeds (repayment) of long-term debt | (95,000) | 750,000 |
| | (468,931) | (325,180) |
| Decrease in cash during the year | (468,931) | (325,180) |
| Cash, beginning of year | 1,254,834 | 1,580,014 |
| Cash, end of year | \$ 785,903 | \$ 1,254,834 |

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

Alzheimer Society of Ontario

Notes to Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies

Purpose of the Organization

Alzheimer Society of Ontario 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.

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 Alzheimer Society of Ontario 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.

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.

Alzheimer Society of Ontario Notes to Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies (continued)

Internally Restricted Funds (continued)

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.

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.

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 revenue 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 Ontario Notes to Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies (continued)

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.

Intangible Assets

Intangible assets consists of a customer relationship management system (CRM), is recorded at cost and is amortized over its estimated useful life. This intangible asset is being amortized on a straight-line basis of 10 years. The balance also includes HRIS software which is being amortized on a straight-line basis of 3 years.

Development Costs

All research costs relating to internal projects are charged to operations in the year of the expenditure. Development costs are only capitalized if they meet the criteria for capitalization and are amortized over the expected useful life of the intangible asset. Development costs are written off when there is no longer an expectation of future benefits.

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 12).

Alzheimer Society of Ontario Notes to Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies (continued)

Foreign Currency

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.

2. Accounts Receivable

| | 2019 | 2018 |
|-----------------------------|-------------------|-------------------|
| Alzheimer Society of Canada | \$ 538,741 | \$ 222,112 |
| Member Local Societies | 68,236 | 182,830 |
| Government | 160,825 | 98,511 |
| Other | 64,247 | 115,653 |
| | <u>\$ 832,049</u> | <u>\$ 619,106</u> |

3. Investments

(a) In the prior year, short-term investments consisted of a Guaranteed Investment Certificate which matured in March 2019 and earned interest at 1.80%.

Alzheimer Society of Ontario
Notes to Financial Statements

March 31, 2019

3. Investments (continued)

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

| | 2019 | 2018 |
|---------------------|--------------|--------------|
| Cash | \$ 143,556 | \$ 154,108 |
| Fixed income | 1,059,523 | 1,063,659 |
| Equities - Canadian | 675,334 | 641,299 |
| Equities - Foreign | 1,398,529 | 1,350,208 |
| | \$ 3,276,942 | \$ 3,209,274 |

The fixed income investments mature from April 2019 to October 2024 and earn interest at rates of 1.15% to 9.95% (2018 - December 2018 to October 2024, 1.15% to 9.95%).

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

4. Property and Equipment

| | 2019 | | 2018 | |
|-------------------------|------------|-----------------------------|------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Furniture and equipment | \$ 186,350 | \$ 130,800 | \$ 183,224 | \$ 132,166 |
| Computer equipment | 431,386 | 400,298 | 426,123 | 368,155 |
| Leasehold improvements | 191,687 | 155,056 | 191,687 | 121,119 |
| | \$ 809,423 | \$ 686,154 | \$ 801,034 | \$ 621,440 |
| Net book value | | \$ 123,269 | | \$ 179,594 |

Alzheimer Society of Ontario
Notes to Financial Statements

March 31, 2019

5. Intangible Assets

| | 2019 | | 2018 | |
|---|-------------------|-----------------------------|-------------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Customer Relationship Management (CRM) system | \$ 915,776 | \$ 144,998 | \$ 915,776 | 53,420 |
| HRIS system | 22,442 | 6,073 | - | - |
| | \$ 938,218 | \$ 151,071 | \$ 915,776 | \$ 53,420 |
| Net book value | | \$ 787,147 | | \$ 862,356 |

6. Credit Facility

The Society has an unused demand operating credit facility (2018 - unused) of \$1,000,000 available which bears interest at the bank's prime rate and is due on demand. The facility is secured by a general security agreement providing a first-priority security interest on all present and future property of the Society and an assignment of fire and other perils insurance on the property and assets.

7. Accounts Payable and Accrued Liabilities

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Alzheimer Societies in Ontario ("ASiO") | | |
| Shared Services Centre (Note 10) | \$ 23,163 | \$ 139,357 |
| Local work in Ottawa (Note 10) | - | 62,539 |
| Alzheimer Society of Canada | 24,741 | 35,388 |
| Other Ontario Research Contributions Payable | - | 48,500 |
| Other | 427,462 | 403,631 |
| | \$ 475,366 | \$ 689,415 |

Alzheimer Society of Ontario
Notes to Financial Statements

March 31, 2019

8. Deferred Revenue

| | 2019 Opening Balance | Amounts Received | Program Expenses | 2019 Closing Balance |
|-------------------------------|----------------------------|---------------------|---------------------|----------------------------|
| brainXchange grant (a) | \$ 157,592 | \$ 293,091 | \$ 260,695 | \$ 189,988 |
| Minds in Motion - CIHR (b) | 129 | - | 129 | - |
| Finding Your Way Program (c) | - | 784,000 | 784,000 | - |
| Scholarship Fund (d) | 108,952 | 7,395 | 15,461 | 100,886 |
| U-First Program (e) | 55,000 | - | 55,000 | - |
| First Link Program (f) | 15,000 | - | 15,000 | - |
| Dementia Strategy Program (g) | - | 249,000 | 249,000 | - |
| Public Policy Program (h) | 16,916 | - | 16,916 | - |
| Other general programs | 66,752 | 20,000 | 20,145 | 66,607 |
| | \$ 420,341 | \$1,353,486 | \$1,416,346 | \$ 357,481 |

(a) The brainXchange program (formally known as the Alzheimer Knowledge Exchange program) is supported 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.

(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 2019, the Society received \$784,000 (2018 - \$780,000) 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. All funds received were spent during the year.

(d) The Scholarship Fund was established in fiscal 2012 through a donation from an anonymous donor and will be disbursed for qualified expenditures.

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

(f) The Brent Allen fund will be used to support the development of resources and tools that will help increase First Link awareness among health care providers, community service providers and families impacted by dementia, with a goal of increasing the number of people that are connected with their local Alzheimer Society and accessing the information, education, supports and programs that will help them live well.

Alzheimer Society of Ontario Notes to Financial Statements

March 31, 2019

8. Deferred Revenue (continued)

(g) The Ministry of Health and Long Term Care granted money to the Alzheimer Society of Toronto ("AST") to provide support and services to clients through the First Link Program by hiring new First Link Navigators, including \$249,000 (2018 - \$117,500) for AST to provide to the Alzheimer Society of Ontario for training, knowledge transfer/exchange, project coordination, monitoring and evaluation. All funds received during the year were fully spent in accordance with the agreement.

(h) The Brent Allen fund will assist with the development and implementation of a letter writing campaign that will ensure that the voice of thousands of Ontarians is heard by MPPs and those running for office, with a goal of securing their support for strong government funding of care, programs and support for people living with dementia and their care partners. This investment will also help to fund consultation with stakeholders from across the province, including care/service providers, people living with dementia and their care partners in order to ensure focused future advocacy efforts on the priorities that matter most.

9. Long-term Debt

The Society completed the purchase and implementation of its CRM system and converted the related non-revolving instalment loan to a non-revolving amortizing loan, in the amount of \$1,900,000. The Society will make monthly interest only payments of \$5,415 until October 2018, at which time the loan becomes repayable in monthly principal repayments of \$15,833 plus interest, until maturity in September 2022. The loan bears interest at 3.42% and is secured by a general security agreement providing a first-priority security interest on all present and future personal property of the Society and an assignment of fire and other perils insurance on the property and assets of the Society that the lender has security over.

| | 2019 | 2018 |
|-----------------------|--------------|--------------|
| Loan payable | \$ 1,805,000 | \$ 1,900,000 |
| Less: current portion | (190,000) | (95,000) |
| | \$ 1,615,000 | \$ 1,805,000 |

The principal payments for the next four years are as follows:

| | |
|------|--------------|
| 2020 | \$ 190,000 |
| 2021 | 190,000 |
| 2022 | 190,000 |
| 2023 | 1,235,000 |
| | \$ 1,805,000 |

During the year, the Society paid interest in the amount of \$64,303 (2018 - \$48,235).

Alzheimer Society of Ontario Notes to Financial Statements

March 31, 2019

10. 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 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. Partner charities on the statement of revenue and expenses includes payments made to ASC of \$1,680,923 (2018 - \$1,507,954).

On April 1, 2017, the Society entered into a new Alzheimer Societies in Ontario ("ASiO") Federation Agreement with 30 Societies. Under the terms of the agreement, the Society will distribute to the Local Societies \$1,000,000 annually, determined by the ratio of the respective Local Societies' fundraising revenue. Partner charities on the statement of revenue and expenses includes payments made to Local Societies of \$1,252,671 (2018 - \$1,050,307).

Partner charities revenue:

| | 2019 | 2018 |
|---|--------------|--------------|
| ASiO shared services centre (i) | \$ 639,357 | \$ 360,643 |
| Chapter research | 122,583 | 134,599 |
| Ontario Government Dementia Strategy - First Link | 249,000 | 117,500 |
| Revenue from local societies (ii) | 175,872 | 104,461 |
| Shared services centre | 1,002,210 | 1,118,932 |
| | \$ 2,189,022 | \$ 1,836,135 |

(i) ASiO shared services centre revenue is designated for the costs associated to operate shared services under the ASiO Federation Agreement. \$500,000 is the set amount collected from the ASiO on an annual basis for this purpose. During the year, \$639,357 was incurred (2018 - \$360,643). The prior year (2018) underspend of \$139,357 was carried over to the current fiscal year. Included in accounts payable and accrued liabilities during the year is \$23,163 as of March 31, 2019 (2018 - \$139,357) (Note 7).

(ii) Revenue from local societies is designated for building the Alzheimer brand and presence in Ottawa. Of the \$83,000 (2018 - \$167,000) received during the year, \$Nil (2018 - \$62,539) has been included in accounts payable and accrued liabilities as it has not been spent as of year end.(Note 7).

Partner charities expenses:

| | 2019 | 2018 |
|--|--------------|--------------|
| ASC operating cost assessment | \$ 1,680,923 | \$ 1,507,954 |
| ASiO revenue distribution | 1,145,956 | 1,000,000 |
| Coffee break | 47,835 | 45,986 |
| Costs related to servicing Ottawa area | 324,800 | - |
| Other | 58,880 | 4,321 |
| | \$ 3,258,394 | \$ 2,558,261 |

Alzheimer Society of Ontario
Notes to Financial Statements

March 31, 2019

11. 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 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 commitment for the next five years and thereafter is as follows:

| | |
|------------|---------------------|
| 2020 | \$ 111,606 |
| 2021 | 112,109 |
| 2022 | 113,114 |
| 2023 | 113,617 |
| 2024 | 114,623 |
| Thereafter | <u>543,954</u> |
| | <u>\$ 1,109,023</u> |

(b) CRM Commitment

The Society is committed to subscription fees related to the CRM system in the amount of \$156,975 for 2020.

Alzheimer Society of Ontario
Notes to Financial Statements

March 31, 2019

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.

| | <u>2019</u> | <u>2018</u> |
|----------------------------------|-------------------|-------------------|
| Summary of expenses: | | |
| Facilities and office | \$ 288,453 | \$ 323,108 |
| Professional fees and consulting | 48,097 | 30,344 |
| Amortization | 47,412 | 41,822 |
| | <u>\$ 383,962</u> | <u>\$ 395,274</u> |
| Summary of allocations: | | |
| Fundraising | \$ 87,264 | \$ 179,817 |
| Services | 244,339 | 215,457 |
| Partner charities - Ottawa | 52,359 | - |
| | <u>\$ 383,962</u> | <u>\$ 395,274</u> |

13. Shared Services

Effective April 1, 2016, the Society, in conjunction with Alzheimer Society of Canada 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 \$501,105 (2018 - \$556,201) and is included in administration on the statement of revenue and expenses.

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Notes to Financial Statements

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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 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 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.

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. \$344,212 (2018 - \$330,426) of investments are held in U.S. dollars.

These risks have not changed from the prior year.

