

Alzheimer Society of Ontario
Financial Statements
For the year ended March 31, 2016

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Independent Auditor's Report

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, 2016 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, 2016 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
June 24, 2016

Alzheimer Society of Ontario
Statement of Financial Position

March 31

2016

2015

Assets

Current

Cash and cash equivalents	\$ 2,172,928	\$ 3,056,015
Accounts receivable (Note 2)	848,740	434,589
Prepaid expenses	31,693	16,054

3,053,361 3,506,658

Long-term investments (Note 3a)

2,793,702 3,074,722

Property and equipment (Note 4)

64,667 63,153

\$ 5,911,730 \$ 6,644,533

Liabilities and Fund Balances

Current

Accounts payable and accrued liabilities (Note 5)	\$ 431,742	\$ 550,269
Deferred revenue (Note 6)	1,065,800	1,104,985
Amounts held in trust (Note 7)	7,673	10,683

1,505,215 1,665,937

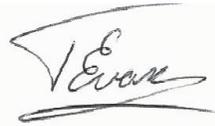
Fund balances

Internally restricted funds	2,225,047	2,889,989
Invested in property and equipment fund	64,667	63,153
Unrestricted fund	2,116,801	2,025,454

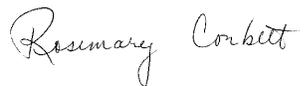
4,406,515 4,978,596

\$ 5,911,730 \$ 6,644,533

On behalf of the Board:



Director



Director

Alzheimer Society of Ontario
Statement of Changes in Fund Balances

For the year ended March 31, 2016

	Internally Restricted Funds				Invested In Property and Equipment Fund	Unrestricted Fund	2016	2015
	Fiscal Strength Fund	Research Contributions Fund	Strategic Investment Fund	Technology Fund				
Fund balance , beginning of year	\$ 1,400,000	\$ 1,258,798	\$ 231,191	\$ -	\$ 63,153	\$ 2,025,454	\$ 4,978,596	\$ 4,444,909
Excess (deficiency) of revenue over expenses for the year	-	(1,000,000)	(378,667)	(49,763)	(19,322)	875,671	(572,081)	533,687
Purchase of property and equipment	-	-	-	-	20,836	(20,836)	-	-
Transfer to Strategic Investment Fund (Note 1)	-	-	173,878	-	-	(173,878)	-	-
Transfer to Technology Fund (Note 1)	-	-	-	589,610	-	(589,610)	-	-
Fund balance , end of year	\$ 1,400,000	\$ 258,798	\$ 26,402	\$ 539,847	\$ 64,667	\$ 2,116,801	\$ 4,406,515	\$ 4,978,596

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	2016	2015
Revenue		
Fund development revenue (Note 9)	\$ 7,717,358	\$ 7,751,830
Deferred program revenue recognized (Note 6)	1,337,122	1,598,858
Investment income (Note 3b)	5,721	358,060
Other	129,634	32,999
	9,189,835	9,741,747
Expenses		
Fund development expense	365,939	376,712
Alzheimer Society of Canada operating cost assessment (Note 8a)	1,705,080	1,785,409
Public policy and program initiatives	795,657	1,026,556
Marketing and communications	522,495	565,783
Finance and operations	627,502	403,329
Governance	368,842	491,816
	4,385,515	4,649,605
brainXchange program	181,644	244,038
Minds in Motion	269,201	272,441
Finding Your Way program	646,506	765,005
Scholarship fund	29,268	140,930
U-First program	66,279	72,163
Other general programs	144,224	104,281
	1,337,122	1,598,858
Operating surplus	3,467,198	3,493,284
Alzheimer Society of Canada Research Program contributions	(2,671,203)	(2,018,352)
Technology fund expenses	(49,763)	-
Strategic investment fund expenses	(378,667)	(58,245)
Revenue sharing - Local Societies (Note 8b)	(939,646)	(883,000)
Excess (deficiency) of revenue over expenses	\$ (572,081)	\$ 533,687

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	2016	2015
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (572,081)	\$ 533,687
Adjustments required to reconcile excess (deficiency) of revenue over expenses with net cash provided by operating activities		
Amortization of property and equipment	19,322	19,812
Unrealized losses (gains)	171,003	(184,508)
Changes in non-cash working capital balances		
Accounts receivable	(414,151)	188,300
Prepaid expenses	(15,639)	6,388
Accounts payable and accrued liabilities	(118,527)	33,793
Deferred revenue	(39,185)	(95,461)
Amounts held in trust	(3,010)	(31,745)
	(972,268)	470,266
Investing activities		
Sale of long-term investments	110,017	225,870
Purchase of property and equipment	(20,836)	(2,573)
	89,181	223,297
Increase (decrease) in cash and cash equivalents during the year	(883,087)	693,563
Cash and cash equivalents, beginning of year	3,056,015	2,362,452
Cash and cash equivalents, end of year	\$ 2,172,928	\$ 3,056,015
Cash and cash equivalents consists of:		
Cash	\$ 157,928	\$ 306,015
Cash equivalents - guaranteed investment certificates	2,015,000	2,750,000
	\$ 2,172,928	\$ 3,056,015

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

Alzheimer Society of Ontario

Notes to Financial Statements

March 31, 2016

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.

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, 2016

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. During the year, the Board of Directors approved a transfer of \$173,878 from the Unrestricted Fund to the Strategic Investment Fund.

Technology Fund

The purpose of the Technology Fund is to support the development and implementation of enhanced technological platforms with the capability of facilitating operational excellence initiatives for the participating societies. Additions to the fund and expenditures require Board approval. During the year, the Board of Directors approved a transfer of \$589,610 from the Unrestricted Fund to the Technology Fund.

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.

Alzheimer Society of Ontario

Notes to Financial Statements

March 31, 2016

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 August 2016 to February 2017 (2015 - May 2015 to February 2016) and earn interest at rates of 1.05% to 2.17% (2015 - 0.95% to 1.91%).

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.

Alzheimer Society of Ontario Notes to Financial Statements

March 31, 2016

1. Summary of Significant Accounting Policies (continued)

Remuneration of the Board

Members of the Board of Directors are volunteers who serve without remuneration.

2. Accounts Receivable

	<u>2016</u>	<u>2015</u>
Alzheimer Society of Canada	\$ 556,999	\$ -
Member Local Societies	138,385	159,342
Government	79,164	157,013
Other	74,192	118,234
	<u>\$ 848,740</u>	<u>\$ 434,589</u>

3. Long-term Investments

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

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 246,273	\$ 189,961
Fixed income	903,574	1,094,307
Common stocks and equities - Canadian	529,035	471,047
Common stocks and equities - Foreign	1,114,820	1,319,407
	<u>\$ 2,793,702</u>	<u>\$ 3,074,722</u>

The cash and cash equivalents are comprised of cash in the investment account and short-term deposits due June 2016 (2015 - cash and short-term deposits due May 2015 to November 2015).

The fixed income investments mature from April 2016 to Sept 2023 and earn interest at rates of 1.11% to 9.95% (2015 - June 2015 to September 2023, 1.24% 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, 2016

3. Long-term Investments (continued)

(b) Investment income comprises:

	2016	2015
Investment income	\$ 214,441	\$ 209,436
Unrealized (losses) gains	(171,003)	184,508
Less: management fees	(37,717)	(35,884)
	\$ 5,721	\$ 358,060

4. Property and Equipment

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 128,852	\$ 128,852	\$ 128,852	\$ 128,852
Computer equipment	351,279	328,074	330,443	320,332
Leasehold improvements	132,401	90,939	132,401	79,359
	\$ 612,532	\$ 547,865	\$ 591,696	\$ 528,543
Net book value		\$ 64,667		\$ 63,153

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 (2015 - \$237,092).

5. Accounts Payable and Accrued Liabilities

	2016	2015
Alzheimer Society of Canada	\$ 32,977	\$ 216,839
Other	398,765	333,430
	\$ 431,742	\$ 550,269

Alzheimer Society of Ontario Notes to Financial Statements

March 31, 2016

6. Deferred Revenue

	2016 Opening Balance	Amounts Received	Program Expenses	2016 Closing Balance
brainXchange grant (a)	\$ 170,746	\$ 141,998	\$ 181,644	\$ 131,100
Minds in Motion - MTCS (b)	55,947	120,460	128,852	47,555
Minds in Motion - Ontario Trillium Foundation Grant (b)	8,835	165,700	140,349	34,186
Finding Your Way Program (c)	-	646,506	646,506	-
Scholarship Fund (d)	202,163	248	29,268	173,143
Deferred Research Fund	250,000	-	-	250,000
U-First Program (e)	253,048	91,894	66,279	278,663
Other general programs	164,246	131,131	144,224	151,153
	\$1,104,985	\$1,297,937	\$1,337,122	\$1,065,800

(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 2016, the Society received \$646,506 (2015 - \$746,600) 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 for qualified expenditures.

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

Alzheimer Society of Ontario Notes to Financial Statements

March 31, 2016

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.

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:

2017	\$ 120,207
2018	120,207
2019	<u>80,137</u>
	<u>\$ 320,551</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 to March 31, 2017 as at November 24, 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, 2016

9. Fund Development Revenue

	2016	2015
Bequests	\$ 3,121,576	\$ 2,323,779
Direct response	3,724,528	4,225,988
Donations	769,788	988,476
Member local society contributions for research	101,466	213,587
	\$ 7,717,358	\$ 7,751,830

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.

	2016	2015
Summary of expenses:		
Facilities and office	\$ 370,125	\$ 370,350
Professional fees and consulting	43,465	46,436
Amortization	19,322	19,812
	\$ 432,912	\$ 436,598
Summary of allocations:		
Fund development	\$ 48,823	\$ 54,526
Public policy and program initiatives	183,206	224,056
Marketing and communications	90,854	87,320
Finance and operations	110,029	70,696
	\$ 432,912	\$ 436,598

Alzheimer Society of Ontario Notes to Financial Statements

March 31, 2016

11. 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 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.