



Grant Thornton

Financial Statements

*Alzheimer Society of Canada/
Société Alzheimer du Canada*

March 31, 2016

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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, 2016, 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, 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.



Toronto, Canada
June 4, 2016

Chartered Professional Accountants
Licensed Public Accountants

**Alzheimer Society of Canada/
Soci t  Alzheimer du Canada**
Statement of Operations

Year ended March 31

2016

2015

Revenue		
Public support	\$ 8,511,928	\$ 9,136,338
Bequests and memoriams	2,478,777	2,321,601
Corporate and foundations	992,019	587,413
Realized investment income (Note 3)	402,101	411,185
Government	795,303	105,060
Other	<u>106,714</u>	<u>96,529</u>
	<u>13,286,842</u>	<u>12,658,126</u>
Expenditures		
Research program	4,819,967	3,665,525
Public education	3,088,745	3,050,896
Fundraising	4,853,306	4,270,811
General and administrative	723,875	480,285
Board and committee	<u>159,202</u>	<u>81,388</u>
	<u>13,645,095</u>	<u>11,548,905</u>
(Deficiency) excess of revenue over expenditures before partner transfers and unrealized capital (losses) gains on investments	(358,253)	1,109,221
Partner transfers (Note 9)		
Revenue flowed to partners	(7,132,111)	(7,820,487)
Partner assessments and contributions	<u>7,781,090</u>	<u>6,409,787</u>
	<u>648,979</u>	<u>(1,410,700)</u>
Excess (deficiency) of revenue over expenditures before unrealized capital (losses) gains on investments	290,726	(301,479)
Unrealized capital (losses) gains on investments (Note 3)	<u>(504,497)</u>	<u>83,694</u>
Deficiency of revenue over expenditures	<u>\$ (213,771)</u>	<u>\$ (217,785)</u>

**Alzheimer Society of Canada/
Société Alzheimer du Canada**
Statement of Changes in Net Assets

Year ended March 31

	Restricted for endowment purposes (Note 8)	Externally restricted research fund	Internally restricted research fund	Invested in equipment	Internally restricted operating reserve	Unrestricted	Total 2016	Total 2015
Net assets, as at April 1, 2015	\$ 1,115,794	\$ 2,175,316	\$ 1,414,639	\$ 58,653	\$ 2,506,180	\$ 82,698	\$ 7,353,280	\$ 7,560,771
Excess (deficiency) of revenue over expenditures	(34,321)	10,494	-	(17,235)	-	(172,709)	(213,771)	(217,785)
Endowment contributions	200	-	-	-	-	-	200	10,294
Transfer of 2016 spendable portion of endowment	(91,563)	-	76,084	-	-	15,479	-	-
Interfund transfers	-	-	-	-	(74,532)	74,532	-	-
Net assets, as at March 31, 2016	<u>\$ 990,110</u>	<u>\$ 2,185,810</u>	<u>\$ 1,490,723</u>	<u>\$ 41,418</u>	<u>\$ 2,431,648</u>	<u>\$ -</u>	<u>\$ 7,139,709</u>	<u>\$ 7,353,280</u>

See accompanying notes to the financial statements.

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

March 31

2016

2015

Assets

Current

Cash	\$ 2,334,525	\$ 759,473
Short-term investments (Note 3)	3,163,431	2,333,389
Accounts receivable (Note 4)	681,555	980,329
Prepaid expenses	<u>58,508</u>	<u>69,448</u>

6,238,019 4,142,639

Long-term investments (Note 3)	6,441,747	6,710,194
Property and equipment (Note 5)	<u>41,418</u>	<u>58,653</u>

\$ 12,721,184 \$ 10,911,486

Liabilities

Current

Accounts payable and accrued liabilities	\$ 652,960	\$ 544,525
Amounts payable to partners	1,127,395	387,857
Deferred revenue (Note 6)	1,018,160	197,509
Research funding (Note 7)	<u>1,680,489</u>	<u>2,087,815</u>

4,479,004 3,217,706

Long-term portion of research funding (Note 7)	<u>1,102,471</u>	<u>340,500</u>
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5,581,475 3,558,206

Net assets

Endowment fund (Note 8)	990,110	1,115,794
Research fund - externally restricted	2,185,810	2,175,316
Research fund - internally restricted	1,490,723	1,414,639
Invested in equipment	41,418	58,653
Operating reserve	2,431,648	2,506,180
Unrestricted	<u>-</u>	<u>82,698</u>

7,139,709 7,353,280

\$ 12,721,184 \$ 10,911,486

On behalf of the Board

Director

Director

**Alzheimer Society of Canada/
Soci t  Alzheimer du Canada**
Statement of Cash Flows

Year ended March 31

2016

2015

(Decrease) increase in cash

Operating

Deficiency of revenue over expenditures	\$ (213,771)	\$ (217,785)
Items not affecting cash		
Amortization	17,235	44,269
Unrealized capital losses (gains) on investments (Note 3)	<u>504,497</u>	<u>(83,694)</u>

307,961 (257,210)

Change in non-cash working capital items

Accounts receivable	298,774	(422,801)
Prepaid expenses	10,940	(3,170)
Accounts payable and accrued liabilities	108,435	(68,016)
Amounts payable to partners	739,538	(104,958)
Deferred revenue	<u>820,651</u>	<u>35,744</u>

1,978,338 (563,201)

Research funding

354,645 (317,198)

2,640,944 (1,137,609)

Financing

Endowment contributions	<u>200</u>	<u>10,294</u>
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Investing

Short-term investments (net)	(830,042)	969,371
Long-term investments (net)	(236,050)	(232,520)
Purchase of equipment	<u>-</u>	<u>(8,232)</u>

(1,066,092) 728,619

Increase (decrease) in cash

1,575,052 (398,696)

Cash

Beginning of year	<u>759,473</u>	<u>1,158,169</u>
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End of year	<u>\$ 2,334,525</u>	<u>\$ 759,473</u>
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Alzheimer Society of Canada/ Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2016

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. 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.

Alzheimer Society of Canada/ Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2016

2. Significant accounting policies (continued)

Financial instruments (continued)

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 3. The financial instruments measured at amortized cost are cash, accounts receivable, accounts payable, amounts payable to partners 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.

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.

Alzheimer Society of Canada/ Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2016

2. Significant accounting policies (continued)

Revenue recognition

Contributions, including public support, bequests and memoriams, and amounts received from corporations, foundations, 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 10).

Internally and externally 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 and externally restricted research funds

The research funds are composed of internally restricted and externally restricted unexpended donations. The target balance for the research fund 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.

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

Notes to Financial Statements

March 31, 2016

3. Investments

Short-term investments consist of Foyston, Gordon & Payne Short Term funds of \$307,039 (2015 - \$305,389), and guaranteed investment certificates in the amount of \$2,856,392 (2015 - \$2,028,000).

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

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 373,887	\$ 519,714
Fixed income securities	2,693,247	2,820,740
Canadian equities	1,785,529	1,795,976
Foreign equities	<u>1,589,084</u>	<u>1,573,764</u>
	<u>\$ 6,441,747</u>	<u>\$ 6,710,194</u>

Fixed income securities bear a yield to maturity of 2.39% (2015 - 2.00%). Equities are invested in Canadian and international pooled funds.

Realized investment income is comprised of:

	<u>2016</u>	<u>2015</u>
Unrestricted fund		
Interest and dividends	\$ 305,945	\$ 251,962
Realized capital gains	<u>32,382</u>	<u>98,986</u>
	<u>338,327</u>	<u>350,948</u>
Endowment fund		
Interest and dividends	52,685	39,713
Realized capital gains	<u>11,089</u>	<u>20,524</u>
	<u>63,774</u>	<u>60,237</u>
Total realized investment income	<u>\$ 402,101</u>	<u>\$ 411,185</u>
Unrealized capital (losses) gains on investments		
Unrestricted fund	\$ (406,402)	\$ 66,305
Endowment fund	<u>(98,095)</u>	<u>17,389</u>
	<u>\$ (504,497)</u>	<u>\$ 83,694</u>

4. Accounts receivable

	<u>2016</u>	<u>2015</u>
Government	\$ 306,896	\$ 538,323
Co-tenancy and other	<u>374,659</u>	<u>442,006</u>
	<u>\$ 681,555</u>	<u>\$ 980,329</u>

Accounts receivable are net of an allowance for doubtful accounts of \$Nil (2015 - \$Nil).

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

March 31, 2016

5. Property and equipment

			<u>2016</u>	<u>2015</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and fixtures	\$ 127,935	\$ 127,935	\$ -	\$ -
Leasehold improvements	129,330	94,842	34,488	47,420
Computer equipment	127,379	125,388	1,991	4,647
Telephone equipment	25,862	20,923	4,939	-
Web portal	<u>162,205</u>	<u>162,205</u>	<u>-</u>	<u>6,586</u>
	\$ 572,711	\$ 531,293	\$ 41,418	\$ 58,653

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.

6. 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.

	2016 Opening Balance	Increase	Decrease	2016 Closing Balance
General	\$ 4,493	\$ -	\$ (4,493)	\$ -
Research	<u>193,016</u>	<u>922,432</u>	<u>(97,288)</u>	<u>1,018,160</u>
	\$ 197,509	\$ 922,432	\$ (101,781)	\$ 1,018,160

7. Research funding

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 2,428,315	\$ 2,745,513
Current year grants awarded, net of declined and terminated awards	4,284,754	3,124,957
Payments	(3,776,712)	(3,256,913)
Terminations of grants awarded in previous years	<u>(153,397)</u>	<u>(185,242)</u>
Balance, end of year	2,782,960	2,428,315
Less: long-term portion	<u>(1,102,471)</u>	<u>(340,500)</u>
Current portion of research funding	\$ 1,680,489	\$ 2,087,815

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

Notes to Financial Statements

March 31, 2016

8. Net assets restricted for endowment purposes

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 1,115,794	\$ 1,116,018
Contributions	200	10,294
Investment (loss) income (Note 3)	(34,321)	77,626
Transfer of spendable portion	<u>(91,563)</u>	<u>(88,144)</u>
Balance, end of year	<u>\$ 990,110</u>	<u>\$ 1,115,794</u>

The original endowment contributions which must be maintained in perpetuity is \$851,801 (2015 - \$851,601).

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.

Partner transfers consist of:

Revenue flowed to partners

	<u>2016</u>	<u>2015</u>
Direct mail (net)	\$ 2,061,894	\$ 3,126,289
Donations (net)	3,535,138	3,311,519
Bequests	<u>1,535,079</u>	<u>1,382,679</u>
	<u>\$ 7,132,111</u>	<u>\$ 7,820,487</u>
Partner assessments		
Research	\$ 4,493,792	\$ 3,183,965
Operating	<u>3,287,298</u>	<u>3,225,822</u>
	<u>\$ 7,781,090</u>	<u>\$ 6,409,787</u>

Alzheimer Society of Canada/ Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2016

10. Allocation of expenses

The Society incurred certain management and administrative salaries and overhead expenses in the aggregate amount of \$859,947 (2015 - \$914,269) which are allocated based on department head count. These general and administrative expenses are allocated as follows:

	<u>2016</u>	<u>2015</u>
Research program	\$ 151,597	\$ 145,726
Public education	452,009	505,551
Fundraising	<u>256,341</u>	<u>262,992</u>
	<u>\$ 859,947</u>	<u>\$ 914,269</u>

11. Bank indebtedness

The Society has a credit facility in the amount of \$700,000 bearing interest at prime (2.70% as at March 31, 2016) 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.

12. Commitment

Pursuant to a 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 which include leasehold improvements, furniture, equipment, supplies, 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>

During the year, the Alzheimer Societies of Canada, Ontario and Toronto established a shared services centre to centralize the delivery of some administrative services. As at March 31, 2016, this shared services centre was in the implementation phase. At year end there are no commitments related to the shared services centre.

Alzheimer Society of Canada/ Société Alzheimer du Canada

Notes to Financial Statements

March 31, 2016

13. 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.

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, amounts payable to partners, 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.

14. Comparative figures

Certain comparative figures have been restated to conform with the presentation adopted in the current year.