



Financial Statements

**Alzheimer Society of Canada/
Société Alzheimer du Canada**

March 31, 2014

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Independent Auditor's Report

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To the Board of Directors 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, 2014, 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, 2014, 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.

Grant Thornton LLP

Toronto, Canada
July 3, 2014

Chartered Accountants
Licensed Public Accountants

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

As at March 31

2014

2013

Assets

Current

Cash	\$ 1,158,169	\$ 3,528,271
Short-term investments (Note 4)	3,302,760	299,973
Accounts receivable (Note 3)	557,528	545,223
Prepaid expenses	66,278	105,193
	<u>5,084,735</u>	<u>4,478,660</u>
Long-term investments (Note 4)	6,393,980	5,568,456
Property and equipment (Note 5)	94,690	171,447
	<u>\$ 11,573,405</u>	<u>\$ 10,218,563</u>

Liabilities

Current

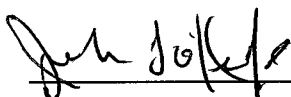
Accounts payable and accrued liabilities	\$ 612,541	\$ 593,003
Amounts payable to partners	492,815	1,058,264
Deferred revenue (Note 6)	161,765	255,030
Research funding (Note 7)	2,633,013	2,264,733
	<u>3,900,134</u>	<u>4,171,030</u>
Long-term portion of research funding (Note 7)	112,500	184,770
	<u>4,012,634</u>	<u>4,355,800</u>

Net assets

Invested in equipment	94,690	171,447
Endowment fund (Note 8)	1,116,018	1,016,317
Operating reserve	2,325,000	1,030,838
Research fund - internally restricted	1,341,770	1,299,384
Research fund - externally restricted	2,241,640	2,304,777
Capacity fund	-	40,000
Unrestricted	441,653	-
	<u>7,560,771</u>	<u>5,862,763</u>
	<u>\$ 11,573,405</u>	<u>\$ 10,218,563</u>

Commitment (Note 13)

On behalf of the Board



President



Treasurer

**Alzheimer Society of Canada/
Société Alzheimer du Canada
Statement of Operations**

Year ended March 31

2014

2013

Revenue		
Public support	\$ 8,781,034	\$ 9,077,022
Bequests and memoriams	3,468,991	2,636,909
Corporate and foundations	2,216,730	573,236
Investment income (Note 4)	817,096	510,199
Other	82,416	59,427
	<u>15,366,267</u>	<u>12,856,793</u>
Expenditures		
Research program	4,422,447	3,707,329
Public education	2,767,414	2,862,609
Fundraising	4,584,222	3,913,635
General and administrative	516,951	407,470
Board and committee	51,555	143,480
	<u>12,342,589</u>	<u>11,034,523</u>
Excess of revenue over expenditures before undernoted items	<u>3,023,678</u>	<u>1,822,270</u>
Partner transfers (Note 9)		
Revenue flowed to partners	(7,959,312)	(7,260,343)
Partner assessments	6,623,321	6,631,050
	<u>(1,335,991)</u>	<u>(629,293)</u>
Excess of revenue over expenditures	\$ <u>1,687,687</u>	\$ <u>1,192,977</u>

Alzheimer Society of Canada/ Société Alzheimer du Canada

Statement of Changes in Net Assets

Year ended March 31

	Invested in equipment	Restricted for endowment purposes (Note 8)	Internally restricted operating reserve	Internally restricted research fund	Externally restricted research fund	Internally restricted capacity fund	Unrestricted	Total 2014	Total 2013
Net assets, as at April 1, 2013	\$ 171,447	\$ 1,016,317	\$ 1,030,838	\$ 1,299,384	\$ 2,304,777	\$ 40,000	\$ -	\$ 5,862,763	\$ 4,659,722
Excess (deficiency) of revenue over expenditures	(84,723)	140,331	-	-	(63,137)	-	1,695,216	1,687,687	1,192,977
Endowment contributions	-	10,321	-	-	-	-	-	10,321	10,064
Transfer of 2014 spendable portion of endowment	-	(50,951)	-	42,386	-	-	8,565	-	-
Invested in equipment	7,966	-	-	-	-	-	(7,966)	-	-
Interfund transfers (Note 10)	-	-	1,294,162	-	-	(40,000)	(1,254,162)	-	-
Net assets, as at March 31, 2014	\$ 94,690	\$ 1,116,018	\$ 2,325,000	\$ 1,341,770	\$ 2,241,640	\$ -	\$ 441,653	\$ 7,560,771	\$ 5,862,763

See accompanying notes to the financial statements

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

Year ended March 31

2014

2013

(Decrease) increase in cash

Operating activities

Excess of revenue over expenditures \$ 1,687,687 \$ 1,192,977

Items not affecting cash

Amortization 84,723 97,046

Change in unrealized gain on investments (436,409) (283,036)

1,336,001 1,006,987

Change in non-cash working capital items

Accounts receivable (12,305) 259,308

Prepaid expenses 38,915 (61,042)

Accounts payable and accrued liabilities 19,538 (250,889)

Amounts payable to partners (565,449) 350,599

Deferred revenue (93,265) (103,508)

(612,566) 194,468

Research funding

296,010 205,994

Cash flows from operating activities

1,019,445 1,407,449

Financing activity

Endowment contributions, and cash flow from financing activity

10,321 10,064

Investing activities

Short-term investments (net) (3,002,787) 746,716

Long-term investments (net) (389,115) (155,975)

Purchase of equipment (7,966) -

(3,399,868) 590,741

Cash flows from investing activities

(3,399,868) 590,741

(Decrease) increase in cash

(2,370,102) 2,008,254

Cash

Beginning of year 3,528,271 1,520,017

3,528,271 1,520,017

End of year

\$ 1,158,169 \$ 3,528,271

See accompanying notes to the financial statements

Alzheimer Society of Canada/ Société Alzheimer du Canada

Notes to the Financial Statements

Year ended March 31, 2014

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 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 the Financial Statements**

Year ended March 31, 2014

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 revenue and expenditures and disclosed in Note 4. The financial instruments measured at amortized cost are cash, accounts receivable, accounts payable and accrued liabilities, 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 revenue and expenditures. 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
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 the Financial Statements

Year ended March 31, 2014

2. Significant accounting policies (continued)

Revenue recognition

Contributions, including public support, bequests 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.

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 amount of investment income that may be spent to not less than 3.5% and not more than 5% of the four-year rolling market average value of the principal gift.

Investment income includes interest, dividends and realized and unrealized 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.

Donated materials and services

Contributed goods and services are not reflected in these financial statements as the fair values of these goods and services cannot be reasonably estimated.

Allocation of expenses

The Society incurs certain executive management and administrative expenses which are allocated to other expense categories based on department head count (Note 11).

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/ Société Alzheimer du Canada

Notes to the Financial Statements

Year ended March 31, 2014

2. Significant accounting policies (continued)

Internally and externally restricted net assets (continued)

Internally restricted capacity fund

In accordance with the Federation Agreement, the Society had set aside funds to help build the capacity of Provincial Alzheimer Societies in areas such as fund development, services, and innovation. The balance of the Capacity Fund was withdrawn in the current year in support of a Board mandated governance initiative.

3. Accounts receivable

	<u>2014</u>	<u>2013</u>
Government	\$ 329,438	\$ 330,626
Co-tenancy and other	<u>228,090</u>	<u>214,597</u>
	<u>\$ 557,528</u>	<u>\$ 545,223</u>

Accounts receivable are net of allowance for doubtful accounts of \$Nil (2013 - \$Nil).

4. Investments

Short-term investments consist of Foyston, Gordon & Payne Short Term funds, and a guaranteed investment certificate in the amount of \$3,000,000 (2013 - \$nil).

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

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 339,686	\$ 135,601
Fixed income securities	3,486,709	2,344,453
Equities	<u>2,567,585</u>	<u>3,088,402</u>
	<u>\$ 6,393,980</u>	<u>\$ 5,568,456</u>

Fixed income securities bear a yield to maturity of 2.73% (2013 - 2.30%).

Equities are invested in Canadian and international pooled funds.

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

Year ended March 31, 2014

4. Investments (continued)

Investment income is comprised of:

	<u>2014</u>	<u>2013</u>
<u>Unrestricted fund</u>		
Interest and dividends	\$ 221,020	\$ 159,879
Realized capital gains	97,246	31,330
Change in unrealized capital gains	<u>358,499</u>	<u>231,228</u>
	<u>676,765</u>	<u>422,437</u>
<u>Endowment fund</u>		
Interest and dividends	38,406	27,166
Realized capital gains	24,015	8,881
Change in unrealized capital gains	<u>77,910</u>	<u>51,715</u>
	<u>140,331</u>	<u>87,762</u>
Total investment income	<u>\$ 817,096</u>	<u>\$ 510,199</u>

5. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2014 Net Book Value</u>	<u>2013 Net Book Value</u>
Furniture and fixtures	\$ 127,935	\$ 127,935	\$ -	\$ 17,058
Leasehold improvements	129,330	68,976	60,354	73,287
Computer equipment	127,379	120,077	7,302	-
Web portal	<u>162,205</u>	<u>135,171</u>	<u>27,034</u>	<u>81,102</u>
	<u>\$ 546,849</u>	<u>\$ 452,159</u>	<u>\$ 94,690</u>	<u>\$ 171,447</u>

The Society moved to new premises in the 2009 fiscal year. Netted against the cost of leasehold improvements is the Society's share of lease inducements totaling \$237,092.

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

Year ended March 31, 2014

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.

	2014 Opening Balance	Increase	Decrease	2014 Closing Balance
General	\$ 61,199	\$ 19,750	\$ 62,001	\$ 18,948
Research	<u>193,831</u>	<u>56,906</u>	<u>107,920</u>	<u>142,817</u>
	<u>\$ 255,030</u>	<u>\$ 76,656</u>	<u>\$ 169,921</u>	<u>\$ 161,765</u>

7. Research funding

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 2,449,503	\$ 2,243,509
Current year grants awarded, net of declined and terminated awards	3,996,547	3,307,692
Payments	(3,548,955)	(3,101,698)
Terminations of grants awarded in previous years	<u>(151,582)</u>	<u>-</u>
Balance, end of year	2,745,513	2,449,503
Less: long-term portion	<u>(112,500)</u>	<u>(184,770)</u>
Current portion of research funding	<u>\$ 2,633,013</u>	<u>\$ 2,264,733</u>

8. Net assets restricted for endowment purposes

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 1,016,317	\$ 965,642
Contributions	10,321	10,064
Investment income (Note 4)	140,331	87,762
Transfer of spendable portion	<u>(50,951)</u>	<u>(47,151)</u>
Balance, end of year	<u>\$ 1,116,018</u>	<u>\$ 1,016,317</u>

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

Year ended March 31, 2014

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>2014</u>	<u>2013</u>
Direct mail (net)	\$ 2,546,689	\$ 2,738,670
Donations	2,648,659	2,385,027
Bequests	<u>2,763,964</u>	<u>2,136,646</u>
	<u>\$ 7,959,312</u>	<u>\$ 7,260,343</u>
Partner assessments		
Research	\$ 3,599,226	\$ 3,029,740
Operating	3,024,095	3,561,310
Capacity fund	<u>-</u>	<u>40,000</u>
	<u>\$ 6,623,321</u>	<u>\$ 6,631,050</u>

10. Interfund transfers

Pursuant to a resolution of the Board of Directors, the balance of the Capacity Fund and a portion of the unrestricted surplus were transferred to the internally restricted operating reserve to bring it to policy level.

Alzheimer Society of Canada/ Société Alzheimer du Canada

Notes to the Financial Statements

Year ended March 31, 2014

11. Allocation of expenses

The Society incurred certain management and administrative salaries and overhead expenses in the aggregate amount of \$867,892 (2013 - \$973,609) which are allocated based on department head count. These general and administrative expenses are allocated as follows:

	<u>2014</u>	<u>2013</u>
Research program	\$ 143,652	\$ 163,141
Public education	412,536	493,617
Fundraising	201,662	230,565
Partner services	<u>110,042</u>	<u>86,286</u>
	<u>\$ 867,892</u>	<u>\$ 973,609</u>

12. Bank indebtedness

The Society has a credit facility in the amount of \$700,000 bearing interest at prime plus 0.5% (3.5% as at March 31, 2014) 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.

13. 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:

2015	\$ 120,207
2016	120,207
2017	120,207
2018	120,207
2019	<u>80,137</u>
	<u>\$ 560,965</u>

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

Year ended March 31, 2014

14. 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 not exposed to significant currency risk as transactions in foreign currencies are limited.