

ALZHEIMER SOCIETY OF MONTREAL INC.

FINANCIAL STATEMENTS

MARCH 31, 2019

ALZHEIMER SOCIETY OF MONTREAL INC.

FINANCIAL STATEMENTS

MARCH 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of
ALZHEIMER SOCIETY OF MONTREAL INC.

Qualified Opinion

We have audited the financial statements of ALZHEIMER SOCIETY OF MONTREAL INC. (the organization), which comprise the balance sheet as at March 31, 2019, and the statements of operations, changes in net assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization 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 Qualified Opinion

In common with many non-for-profit organizations, we were not able to obtain sufficient appropriate audit evidence regarding the completeness of the donations received for special events and the annual fund raising campaign. Consequently, our audit of these revenues was limited to the amounts recorded in the accounts of the organization and we were not able to determine whether the revenues of these kinds, the excess of revenues over expenses and the cash flows from operating activities for the fiscal years ending March 31, 2019 and 2018 and the accounts receivable and the net assets presented in the balance sheets as at March 31, 2019 and 2018 might have been subject to any adjustments. Accordingly, we have expressed a qualified audit opinion for the financial statements for the year ending March 31, 2018, because of the potential impact of this limitation on our audit work.

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 organization 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 qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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.

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 organization'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 organization'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 organization 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.

*Gosselin & Associés inc.*¹

GOSSELIN & ASSOCIÉS INC.

Société de comptables professionnels agréés

Montréal, June 4, 2019

¹ By CPA auditor, CA, public accountancy permit No. A101673

ALZHEIMER SOCIETY OF MONTREAL INC.**BALANCE SHEET****AS AT MARCH 31, 2019**

	2019 \$	2018 \$
ASSETS		
CURRENT ASSETS		
Cash	241	579,653
Investments (Note 3)	466,116	500,464
Debtors (Note 4)	293,689	137,401
Prepaid expenses	30,451	14,669
	790,497	1,232,187
INVESTMENTS (Note 3)	250,654	97,256
FIXED ASSETS (Note 5)	2,384,433	2,452,670
	<u>3,425,584</u>	<u>3,782,113</u>
LIABILITIES		
CURRENT LIABILITIES		
Creditors (Note 6)	159,737	151,754
Deferred revenues	8,132	4,749
Portion of long term debt maturing in the short term (Note 9)	20,961	20,498
Long term debt renewable in the next fiscal year (Note 9)	-	881,304
	188,830	1,058,305
DEFERRED CONTRIBUTIONS (Note 7)	-	45,426
DEFERRED CONTRIBUTIONS RELATED TO FIXED ASSETS (Note 8)	40,550	42,240
LONG-TERM DEBT (Note 9)	470,262	-
	<u>699,642</u>	<u>1,145,971</u>
NET ASSETS		
INVESTED IN FIXED ASSETS	1,852,660	1,508,628
RESTRICTED - CONTINGENCY FUND	50,000	50,000
RESTRICTED - RENOVATION FUND	50,000	50,000
RESTRICTED - SERVICE CENTER	456,863	456,863
UNRESTRICTED	316,419	570,651
	<u>2,725,942</u>	<u>2,636,142</u>
	<u>3,425,584</u>	<u>3,782,113</u>

Contingency (Note 13)

SIGNED FOR THE BOARD,

_____, Director

_____, Director

ALZHEIMER SOCIETY OF MONTREAL INC.

CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2019

	Invested in fixed assets \$	Restricted Contingency Fund (note 10) \$	Restricted Renovation Fund (note 10) \$	Restricted Service Center (note 10) \$	Unrestricted \$	2019 Total \$	2018 Total \$
Balance, beginning of year	1,508,628	50,000	50,000	456,863	570,651	2,636,142	2,225,858
Excess of revenues over expenses	(68,884)	-	-	-	158,684	89,800	410,284
Acquisition of fixed assets	2,337	-	-	-	(2,337)	-	-
Capital instalments on the long term debt	410,579	-	-	-	(410,579)	-	-
Balance, end of year	<u>1,852,660</u>	<u>50,000</u>	<u>50,000</u>	<u>456,863</u>	<u>316,419</u>	<u>2,725,942</u>	<u>2,636,142</u>

SOCIÉTÉ D'ALZHEIMER DE MONTRÉAL

INCOME STATEMENT

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
	\$	\$
REVENUES		
Grants - APPENDIX I	806,893	712,827
Amortization of deferred contributions related to fixed assets	1,690	1,760
Donations		
Special events	358,022	513,732
Annual campaign	343,404	303,480
Bequests and planned donations	265,151	398,867
In memoriam donations	166,063	144,533
FQSA refund	-	62,920
	<u>1,941,223</u>	<u>2,138,119</u>
 Programs and services - APPENDIX I	 107,572	 85,326
Rent	43,041	42,448
Interests	15,861	7,416
Other	8,760	158,262
	<u>2,116,457</u>	<u>2,431,571</u>
EXPENSES		
Mission related activities - APPENDIX I & APPENDIX II	1,515,673	1,400,511
Fundraising - APPENDIX II	347,133	417,890
Administration -APPENDIX II	160,833	197,348
	<u>2,023,639</u>	<u>2,015,749</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING ITEM	92,818	415,822
Unrealized loss on change in fair value of investments	(3,018)	(5,538)
EXCESS OF REVENUES OVER EXPENSES	<u>89,800</u>	<u>410,284</u>

ALZHEIMER SOCIETY OF MONTREAL INC.**STATEMENT OF CASH FLOW****FOR THE YEAR ENDED MARCH 31, 2019**

	2019 \$	2018 \$
OPERATING ACTIVITIES		
Excess of revenues over expenses	89,800	410,284
Non-cash items:		
Depreciation of fixed assets	70,573	72,814
Unrealized loss on change in fair value of investments	3,018	5,538
Amortization of deferred contributions related to fixed assets	(1,690)	(1,760)
	<u>161,701</u>	<u>486,876</u>
Net change in non-cash items related to operating activities:		
Debtors	(156,288)	30,442
Prepaid expenses	(15,782)	13,318
Creditors	7,983	42,608
Deferred revenues	3,383	1,404
Deferred contributions	(45,426)	45,426
	<u>(206,130)</u>	<u>133,198</u>
Net cash generated (used in) from operating activities	<u>(44,429)</u>	<u>620,074</u>
INVESTING ACTIVITIES		
Acquisition of fixed assets	(2,337)	-
Investment acquisitions	(203,352)	(670,406)
Investment disposals	<u>81,285</u>	<u>67,149</u>
Net cash used in investing activities	<u>(124,404)</u>	<u>(603,257)</u>
FINANCING ACTIVITY		
Repayment of long-term debt	<u>(410,579)</u>	<u>(40,063)</u>
DECREASE IN CASH	<u>(579,412)</u>	<u>(23,246)</u>
CASH, BEGINNING OF YEAR	<u>579,653</u>	<u>602,899</u>
CASH, END OF YEAR	<u><u>241</u></u>	<u><u>579,653</u></u>

1 - LEGAL STATUS AND NATURE OF ACTIVITIES

ALZHEIMER SOCIETY OF MONTREAL INC. was incorporated as a not-for-profit organization under Part III of the Quebec Companies Act, on November 11, 1981.

It is recognized as a charitable organization under the Income Tax Act. It is exempt from income taxes.

ALZHEIMER SOCIETY OF MONTREAL INC.'s mission is to improve the quality of life for Canadians affected by Alzheimer's disease and related diseases and advance the research for the causes and cures.

2 - SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies :

Management 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 amounts of assets and liabilities reported, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The main estimates are related to the useful life and the depreciation method of fixed assets.

Revenue recognition

Contributions

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenues in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Programs and services

Programs and services revenues are recognized when programs are held or when the services are rendered.

Rental income

Rental income is recorded based on the terms of the leases.

Events

Event revenues are recognized when the events take place.

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Breakdown of expenses

The organization has several operating functions. Some of its operating expenses are common to the organization's management and to its functions. Salaries are allocated to functions based on worked hours and other expenses are attributed based on the actual payroll expense for each function.

Expenses that directly contribute to the output of a function are recorded in the accounts of that particular function.

Fixed assets

Depreciation is calculated on their respective estimated useful life using the methods and the following rates:

	Methods	Rates
Building	Declining balance	4%
Computer equipment	Straight-line method	20%
Phone system	Straight-line method	20%

Contributions in goods and services

In its day-to-day operations, the organization receives contributions of goods and services of numerous volunteers. The organization recognizes contributions of goods and services when the fair value of these contributions can be reasonably estimated and if they would have been otherwise acquired in its regular operations. Since it is difficult to estimate the fair value of these services supplied by the volunteers, these contributions are not recorded in the income statement.

Financial instruments

The organization initially records its financial assets and financial liabilities at fair value. The organization subsequently evaluates all its financial assets and financial liabilities at cost, except for investments in securities that were elected to be assessed at fair value. Changes in fair value are recorded in the statement of income.

Financial assets measured at cost include cash and debtors. Financial liabilities measured at cost include creditors and long term debt.

Financial assets measured at fair value include investments in fixed income securities and related securities and secured investment certificates.

Cash and cash equivalents

The organization's policy is to report cash balances as cash and cash equivalents.

ALZHEIMER SOCIETY OF MONTREAL INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

3 - INVESTMENTS

	2019 \$	2018 \$
Shares and equity fund investments	466,116	374,273
Registered investments	83,026	87,166
Secured certificates	<u>167,628</u>	<u>136,281</u>
	716,770	597,720
Portion of investments maturing in the short-term	<u>466,116</u>	<u>500,464</u>
	<u><u>250,654</u></u>	<u><u>97,256</u></u>

4 - DEBTORS

	2019 \$	2018 \$
Accounts receivable	278,999	94,984
Sales tax	<u>14,690</u>	<u>42,417</u>
	<u><u>293,689</u></u>	<u><u>137,401</u></u>

5 - FIXED ASSETS

	2019	2019	2018	2018
	Cost \$	Accumulated depreciation \$	Net book value \$	Net book value \$
Building	1,976,692	303,847	1,672,845	1,739,452
Computer equipment	14,625	11,738	2,887	1,232
Phone system	16,423	14,781	1,642	4,927
Land	<u>707,059</u>	-	<u>707,059</u>	<u>707,059</u>
	<u><u>2,714,799</u></u>	<u><u>330,366</u></u>	<u><u>2,384,433</u></u>	<u><u>2,452,670</u></u>

ALZHEIMER SOCIETY OF MONTREAL INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019
6 - CREDITORS

	2019 \$	2018 \$
Accounts payable and accrued charges	30,893	31,673
Employee benefits	1,388	8,792
Salaries and vacation pay provisions	<u>127,456</u>	<u>111,289</u>
	<u>159,737</u>	<u>151,754</u>

7 - DEFERRED CONTRIBUTIONS

Deferred contributions represent unused resources received during the year and intended to cover expenses of the following years. Changes in the balance of the deferred revenues are as follows:

	Balance as at March 31, 2018 \$	Amount received \$	Recorded as revenues \$	Balance as at March 31, 2019 \$
L'Appui Montréal	<u>45,426</u>	<u>700,580</u>	<u>700,580</u>	<u>-</u>

8 - DEFERRED CONTRIBUTIONS RELATED TO FIXED ASSETS

Deferred contributions related to fixed assets represent contributions received for renovations. Amortization is established under the same conditions as the related fixed assets. Changes in the balance of the deferred revenues are as follows:

	Balance as at March 31, 2018 \$	Amount received \$	Recorded as revenues \$	Balance as at March 31, 2019 \$
Employment and Social Development Canada	<u>42,240</u>	<u>-</u>	<u>1,690</u>	<u>40,550</u>

9 - LONG-TERM DEBT

	2019 \$	2018 \$
Term loan agreement with Bank of Montreal, 4.27%, maturing September 30, 2023, redeemable by monthly instalments of \$3,461 including interests. ^(a)	491,223	901,802

ALZHEIMER SOCIETY OF MONTREAL INC.**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2019**

9 - LONG-TERM DEBT (continued)

Portion of long-term debt maturing in the short term	20,961	20,498
Current renewable portion of long-term debt	<u>-</u>	<u>881,304</u>
	<u>470,262</u>	<u>-</u>

(a) This loan has a restrictive clause that requires compliance of the following financial ratio : a coverage ratio of debt equal to, or greater than 1. As at March 31, 2018, the ratio stood at 4 and therefore the ratio is respected.

10 - RESTRICTED NET ASSETS

The Board of Directors set up internally restricted funds to complete the renovations of the Alzheimer Service Centre in order to house, under the same roof, a center of excellence which will comprise the organization's head office and management, the fund raising activities, family programs and services, training facilities and a permanent activity centre.

Furthermore, at its meeting held on March 12, 2018, the Board resolved to allocate \$50,000 to the Contingency Fund and \$50,000 to the Renovation Fund.

These internally restricted funds are not available for any other purpose without the prior approval of the Board of Directors.

11 - FINANCIAL INSTRUMENTS

The organization, through its financial instruments, is exposed to various risks. The following analysis shows the exposure of the organization to the risks as at the balance sheet date which is March 31, 2019.

Credit risk

Credit risk is the risk that one party of a financial instrument fails to fulfil its contractual obligations and thereby, causes the other party to incur a financial loss. The organization's main credit risk is related to the accounts receivable.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuates because of changes in market interest rates. The organization is exposed to interest rate risk as regards its fixed interest rate and variable interest rate financial instruments. Fixed interest rate instruments make the organization liable to fair value risk, and floating rate financial instruments, to cash flow risk.

12 - PROPERTY TAXES

The organization received a refund of \$8,760 (\$156,836 in 2018) representing property taxes and accrued interest since January 1, 2015 following the city's decision on April 6, 2016 to partially accept the request for the exemption of property taxes filed by the management at the Québec Municipal Board.

13 - CONTINGENCY

An employee filed a complaint against the organization with the Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST), following its restructuring which affected his position. After a meeting held at the CNESST between the management and the employee, the organization considers that its actions are compliant. Nevertheless, an amount of \$5,000, which is approximatively the equivalent of a four-week vacation pay, has been accounted for in the financial statements.

ALZHEIMER SOCIETY OF MONTREAL INC.

APPENDIXES

FOR THE YEAR ENDED MARCH 31, 2019

	Intake and orientation	Counselling network	Activity centers	In-home Respite	Group activities	Education and awareness	Community Services	Communication	CSA project	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
APPENDIX I - MISSION RELATED ACTIVITIES											
REVENUES											
Grants	-	362,655	136,600	199,973	-	1,352	-	-	-	700,580	614,980
L'Appui Montréal	-	-	-	-	-	-	106,214	-	-	106,214	97,652
MSSS PSOC	-	-	99	-	-	-	-	-	-	99	195
Others	-	-	-	-	-	-	-	-	-	-	-
Programs and services	99	-	136,699	199,973	-	1,352	106,214	-	-	806,893	712,827
			26,335	52,748	12,915	15,475	-	-	-	107,572	85,326
	99	362,655	163,034	252,721	12,915	16,827	106,214	-	-	914,465	798,153
EXPENSES											
Salaries, benefits & obligations	82,225	378,510	148,500	231,722	115,102	86,165	111,661	38,892	5,797	1,198,574	1,091,054
Rent and related expenses	8,366	38,633	6,396	5,488	10,984	8,155	8,259	4,744	7,277	98,302	93,646
Supplies, office expenses and equipment & fixed assets amortization	8,372	12,744	325	484	3,114	3,707	6,650	15,931	71,859	123,186	129,085
Activity fees	-	336	2,238	1,633	3,011	2,498	4,402	-	-	14,118	13,823
Travel expenses, living training, seminars and contributions	899	10,699	2,891	3,911	1,029	1,288	26,108	19	-	46,844	53,247
Professional fees	2,107	2,495	112	381	4,583	6,260	11,392	7,319	-	34,649	19,656
	101,969	443,417	160,462	243,619	137,823	108,073	168,472	66,905	84,933	1,515,673	1,400,511
EXCESS (INSUFFICIENCY) OF REVENUES OVER EXPENSES	(101,870)	(80,762)	2,572	9,102	(124,908)	(91,246)	(62,258)	(66,905)	(84,933)	(601,208)	(602,358)

ALZHEIMER SOCIETY OF MONTREAL INC.

APPENDIXES

FOR THE YEAR ENDED MARCH 31, 2019

	2019			2018	
	Mission related activities -			Total	
	Fund raising	APPENDIX I	Administration	Total	Total
	\$	\$	\$	\$	\$
APPENDIX II - DISCLOSURE OF ALLOCATED EXPENSES					
Salaries, benefits & obligations	156,763	1,198,574	44,201	1,399,538	1,324,766
Rent and related expenses	16,471	98,302	24,680	139,453	167,224
Supplies, office expenses and equipment	5,117	52,613	3,304	61,034	76,810
Depreciation of fixed assets	-	70,573	-	70,573	72,814
Activity fees	107,900	14,118	643	122,661	212,359
Travel expenses, living, training, seminars and contributions	26,175	46,844	423	73,442	61,722
Professional fees	34,707	34,649	33,771	103,127	59,550
Interest on long term debt	-	-	22,360	22,360	24,290
Other administrative expenses	-	-	31,451	31,451	16,214
	<u>347,133</u>	<u>1,515,673</u>	<u>160,833</u>	<u>2,023,639</u>	<u>2,015,749</u>