



ALZHEIMER'S SAN DIEGO

Financial Statements

Period from November 6, 2015 (Inception) to June 30, 2016



ALZHEIMER'S SAN DIEGO

Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Alzheimer's San Diego

San Diego, California

We have audited the accompanying financial statements of Alzheimer's San Diego (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the period from November 6, 2015 (Inception) to June 30, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 referred to above present fairly, in all material respects, the financial position of Alzheimer's San Diego as of June 30, 2016, and the changes in its net assets and its cash flows for the initial period from November 6, 2015 (Inception) to June 30, 2016 in accordance with accounting principles generally accepted in the United States of America.

AKT LLP

San Diego, California
February 16, 2017

ALZHEIMER'S SAN DIEGO
Statement of Financial Position
June 30, 2016

ASSETS

Cash and cash equivalents	\$	745,579
Grants receivable		151,005
Accounts receivable		7,000
Prepaid expenses		9,389
Furniture, equipment, and improvements, net		<u>8,963</u>
Total Assets	\$	<u><u>921,936</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued liabilities	\$	11,440
Accrued payroll liabilities		71,382
Note payable		<u>500,000</u>
Total Liabilities		582,822

Net Assets:

Unrestricted		203,794
Temporarily restricted		<u>135,320</u>
Total Net Assets		<u>339,114</u>

Total Liabilities and Net Assets	\$	<u><u>921,936</u></u>
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ALZHEIMER'S SAN DIEGO**Statement of Activities**

Period from November 6, 2015 (Inception) to June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Contributions	\$ 937,177	\$ 91,040	\$ 1,028,217
Grants and contracts	7,950	442,109	450,059
Earned revenues	237,130	-	237,130
Net assets released from restrictions, satisfaction of program restrictions	<u>397,829</u>	<u>(397,829)</u>	<u>-</u>
Total Support and Revenue	1,580,086	135,320	1,715,406
Expenses:			
Program services	1,015,128	-	1,015,128
Supporting services:			
Management and general	45,174	-	45,174
Fundraising	<u>315,990</u>	<u>-</u>	<u>315,990</u>
Total Program and Supporting Expenses	<u>1,376,292</u>	<u>-</u>	<u>1,376,292</u>
Increase in Net Assets	203,794	135,320	339,114
Net Assets, beginning of period	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, end of period	<u>\$ 203,794</u>	<u>\$ 135,320</u>	<u>\$ 339,114</u>

ALZHEIMER'S SAN DIEGO**Statement of Functional Expenses**

Period from November 6, 2015 (Inception) to June 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 478,893	\$ 25,541	\$ 134,090	\$ 638,524
Outside services	147,188	459	10,000	157,647
Events	2,745	102	92,992	95,839
Professional fees	58,262	3,499	16,863	78,624
Occupancy	51,701	2,757	14,476	68,934
Contract Services	56,865	-	820	57,685
Payroll taxes	40,162	2,142	11,245	53,549
Employee benefits	42,344	1,983	5,767	50,094
Equipment rental and maintenance	24,457	1,304	6,848	32,609
Printing and publications	18,582	1,720	11,246	31,548
Advertising	24,106	724	566	25,396
Interest	12,782	682	3,579	17,043
Donations	15,800	-	-	15,800
Bank fees	10,565	563	2,958	14,086
Postage	10,901	1,609	47	12,557
Supplies and miscellaneous	8,674	615	1,385	10,674
Travel	3,764	423	1,560	5,747
Telephone and internet	4,505	-	-	4,505
Insurance	1,601	85	448	2,134
Dues and subscriptions	-	900	755	1,655
Depreciation	1,231	66	345	1,642
Total Expenses	<u>\$ 1,015,128</u>	<u>\$ 45,174</u>	<u>\$ 315,990</u>	<u>\$ 1,376,292</u>

ALZHEIMER'S SAN DIEGO**Statement of Cash Flows**Period from November 6, 2015 (Inception) to June 30, 2016

Cash Flows from Operating Activities:	
Increase in net assets	\$ 339,114
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	1,642
Changes in operating assets and liabilities:	
Grants receivable	(151,005)
Accounts receivable	(7,000)
Prepaid expenses	(9,389)
Accounts payable and accrued liabilities	11,440
Accrued payroll liabilities	<u>71,382</u>
Net Cash Provided by Operating Activities	256,184
Cash Flows Used by Investing Activities:	
Purchases of property and equipment	(10,605)
Cash Flows Provided by Financing Activities:	
Proceeds from note payable	<u>500,000</u>
Net Increase in Cash and Cash Equivalents	745,579
Cash and cash equivalents, beginning of period	<u>-</u>
Cash and cash equivalents, end of period	\$ <u><u>745,579</u></u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	\$ <u><u>15,000</u></u>

ALZHEIMER'S SAN DIEGO

Notes to Financial Statements

Period from November 6, 2015 (Inception) to June 30, 2016

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

Alzheimer's San Diego (the Organization), is a non-profit organization incorporated in San Diego in November 2015 that has taken on the programs and partnerships provided for more than 30 years by the former San Diego chapter of the Alzheimer's Association. The Organization provides person-to-person family support, neighborhood classes and workshops, social activities and outings, support groups, innovative programs to promote brain health, and collaborations with local industry, government, and researchers to promote safety, improve care, and fund local drug discovery for a cure.

Financial Statement Presentation

The Organization reports information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

Risks and Uncertainties

The Organization invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

Furniture, Equipment and Improvements

Acquisitions of furniture, equipment and improvements of \$5,000 or more are capitalized. Furniture, equipment and improvements are recorded at cost, or if donated, at the approximate fair market value at the date of donation. Expenditures for maintenance and repairs are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of three to seven years.

Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions.

Grants and other revenues, which are considered contracts for services, are not recorded as restricted contributions. Prepaid grants are recorded as deferred revenue.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from balances outstanding. Management closely monitors outstanding balances throughout the year, and writes off balances that are considered uncollectible.

Contributed Materials and Services

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) required specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

ALZHEIMER'S SAN DIEGO

Notes to Financial Statements

Period from November 6, 2015 (Inception) to June 30, 2016

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Advertising

The Organization expenses the cost of advertising as incurred.

Income Taxes

The Organization is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Organization remains subject to taxes on any net income which is derived from a trade or business regularly carried on and unrelated to its exempt purpose.

The Organization follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Organization recognized accrued interest and penalties associated with uncertain tax positions as part of the statement of activities, when applicable. Management has determined that the Organization has no uncertain tax positions as of June 30, 2016 and therefore no amounts have been accrued.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated subsequent events through February 16, 2017, which is the date the financial statements were available to be issued.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Note 2 – Concentrations of Credit Risk

Cash

The Organization maintains accounts at various financial institutions with funds insured by the Federal Deposit Insurance Corporation (FDIC). The Organization accounts at these institutions may, at times, exceed FDIC-insured limits of up to \$250,000. The Organization has not experienced any such losses in these accounts.

Note 3 – Grants Receivable

Grants receivable consist of the following as of June 30, 2016:

Administration for Community Living	\$	109,735
Geriatrics Workforce Enhancement Program/San Diego State University		36,770
211 San Diego		4,500
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	\$	151,005
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ALZHEIMER'S SAN DIEGO**Notes to Financial Statements**Period from November 6, 2015 (Inception) to June 30, 2016

Note 4 – Furniture, Equipment and Improvements

Furniture, equipment and improvements consist of the following as of June 30, 2016:

Furniture and fixtures	\$	5,405
Computer hardware		<u>5,200</u>
		10,605
Less: accumulated depreciation and amortization		<u>(1,642)</u>
	\$	<u><u>8,963</u></u>

Note 5 – Note Payable

Note payable consists of the following at June 30, 2016:

Note payable to Alzheimer's Orange County with interest only monthly payments through September 2016. Monthly principal and interest payments of \$15,211 begin in October 2016. Interest on the note is 6.00%. The note matures September 2019.

\$ 500,000

Future maturities on the note payable are as follows as of June 30, 2016:

<u>Year Ending</u> <u>June 30,</u>		
2017	\$	116,714
2018		163,996
2019		174,111
2020		<u>45,179</u>
	\$	<u><u>500,000</u></u>

Note 6 – Net Assets

Temporarily restricted net assets are available as of June 30, 2016:

Grants	\$	44,280
Contributions restricted to use, not yet expended		<u>91,040</u>
	\$	<u><u>135,320</u></u>

ALZHEIMER'S SAN DIEGO

Notes to Financial Statements

Period from November 6, 2015 (Inception) to June 30, 2016

Note 7 – Commitments

Lease Commitments

The Organization has a non-cancelable operating lease agreement for its office that expires in August 2019. Monthly rent increases by 3% annually and is being amortized over the life of the lease on a straight-line basis. Rental expense was approximately \$64,691 for the period ended June 30, 2016.

Minimum future lease payments under this operating lease are due as follows as of June 30, 2016:

Year Ending June 30,	
2017	\$ 108,443
2018	111,648
2019	114,853
	<u>\$ 334,944</u>

Note 8 – Functional Allocation of Expenses

Expenses by function have been allocated among program and supporting services classifications on the basis of internal records and estimates made by the Organization's management.