

Alzheimer's San Diego

Financial Statements
Year Ended June 30, 2017



ALZHEIMER'S SAN DIEGO
Financial Statements
Year Ended June 30, 2017

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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, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Alzheimer's San Diego's 2016 financial statements, and we expressed an unmodified audit opinion on those audited statements in our report dated February 16, 2017. In our opinion, the summarized comparative information presented herein as of June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Aldrich CPAs + Advisors LLP

San Diego, California
November 13, 2017

ALZHEIMER'S SAN DIEGO**Statement of Financial Position**

June 30, 2017 (With Comparative Summarized Amounts as of June 30, 2016)

ASSETS	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,457,465	\$ 745,579
Grants receivable	264,785	151,005
Accounts receivable	35,000	7,000
Prepaid expenses	22,628	9,389
Furniture and equipment, net of accumulated depreciation	<u>23,473</u>	<u>8,963</u>
Total Assets	<u>\$ 1,803,351</u>	<u>\$ 921,936</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 180,705	\$ 11,440
Accrued payroll	84,677	71,382
Note payable	<u>383,286</u>	<u>500,000</u>
Total Liabilities	648,668	582,822
Net Assets:		
Unrestricted	1,027,225	203,794
Temporarily restricted	<u>127,458</u>	<u>135,320</u>
Total Net Assets	<u>1,154,683</u>	<u>339,114</u>
Total Liabilities and Net Assets	<u>\$ 1,803,351</u>	<u>\$ 921,936</u>

ALZHEIMER'S SAN DIEGO
Statement of Activities
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Contributions	\$ 1,479,481	\$ 121,781	\$ 1,601,262
Earned revenues	865,757	-	865,757
Grants and contracts	172,996	622,389	795,385
Net assets released from restrictions, satisfaction of program restrictions	<u>752,032</u>	<u>(752,032)</u>	<u>-</u>
Total Support and Revenue	3,270,266	(7,862)	3,262,404
Expenses:			
Program services	2,020,650	-	2,020,650
Supporting services:			
Management and general	125,122	-	125,122
Fundraising	<u>301,063</u>	<u>-</u>	<u>301,063</u>
Total Expenses	<u>2,446,835</u>	<u>-</u>	<u>2,446,835</u>
Increase (decrease) in Net Assets	823,431	(7,862)	815,569
Net Assets, beginning of year	<u>203,794</u>	<u>135,320</u>	<u>339,114</u>
Net Assets, end of year	<u>\$ 1,027,225</u>	<u>\$ 127,458</u>	<u>\$ 1,154,683</u>

ALZHEIMER'S SAN DIEGO
Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services							
	Family Support Services	Education	Outreach and Awareness	Research	Total	Management and General	Fundraising	Total
Salaries	\$ 552,213	\$ 240,984	\$ 97,662	\$ -	\$ 890,859	\$ 92,506	\$ 146,494	\$ 1,129,859
Outside services	203,953	20,425	10,862	195,000	430,240	1,718	16,292	448,250
Occupancy	64,030	27,442	8,427	-	99,899	3,754	12,640	116,293
Employee benefits	66,663	28,570	3,857	-	99,090	4,357	7,921	111,368
Events	3,374	1,784	41,119	-	46,277	-	61,679	107,956
Postage	67,338	28,857	2,915	-	99,110	352	4,359	103,821
Payroll taxes	43,795	18,769	7,842	-	70,406	6,416	11,762	88,584
Equipment rental and maintenance	39,353	16,860	5,694	-	61,907	8,056	8,535	78,498
Professional fees	35,421	15,179	5,424	-	56,024	2,827	8,136	66,987
Advertising	30,550	13,092	5,226	-	48,868	1,052	7,838	57,758
Bank fees	15,016	6,435	2,661	-	24,112	1,303	3,991	29,406
Interest	14,585	6,250	2,114	-	22,949	1,270	3,172	27,391
Printing and publications	12,060	6,146	2,319	-	20,525	-	3,479	24,004
Supplies and miscellaneous	9,196	3,941	963	-	14,100	375	1,442	15,917
Insurance	7,446	3,192	1,137	-	11,775	607	1,706	14,088
Travel	7,006	3,004	491	-	10,501	237	738	11,476
Telephone and internet	6,370	2,729	66	-	9,165	31	100	9,296
Dues and subscriptions	1,525	653	305	-	2,483	127	458	3,068
Depreciation	1,502	644	214	-	2,360	134	321	2,815
	<u>\$ 1,181,396</u>	<u>\$ 444,956</u>	<u>\$ 199,298</u>	<u>\$ 195,000</u>	<u>\$ 2,020,650</u>	<u>\$ 125,122</u>	<u>\$ 301,063</u>	<u>\$ 2,446,835</u>

See accompanying notes to financial statements.

ALZHEIMER'S SAN DIEGO
Statement of Cash Flows
Year Ended June 30, 2017

Cash Flows from Operating Activities:	
Increase in net assets	\$ 815,569
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Furnit Depreciation	2,815
Changes in operating assets and liabilities:	
Grants receivable	(113,780)
Accounts receivable	(28,000)
Prepaid expenses	(13,239)
Accounts payable and accrued expenses	169,265
Accrued payroll	<u>13,295</u>
Net Cash Provided by Operating Activities	845,925
Cash Flows Used by Investing Activities:	
Purchases of furniture and equipment	(17,325)
Cash Flows Provided by Financing Activities:	
Payments on note payable	<u>(116,714)</u>
Net Increase in Cash and Cash Equivalents	711,886
Cash and cash equivalents, beginning of year	<u>745,579</u>
Cash and cash equivalents, end of year	\$ <u><u>1,457,465</u></u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	\$ <u><u>25,937</u></u>

ALZHEIMER'S SAN DIEGO
Notes to Financial Statements
Year Ended June 30, 2017

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

Alzheimer's San Diego (the Organization) is a local independently governed nonprofit organization. Incorporated in San Diego in November 2015.

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. The Organization is a central participant in the Alzheimer's Project and Collaboration4Cure (C4C) and hosts many community events including Date With A Cure, Walk4ALZ, Rides4ALZ and many others.

Financial Statement Presentation

The Organization reports information regarding its 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.

The Organization had no permanently restricted net assets as of June 30, 2017.

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.

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.

Furniture and Equipment

Acquisitions of furniture and equipment of \$5,000 or more are capitalized. Furniture and equipment 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.

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

Grants and Accounts Receivable

Grants receivable are stated at the amount management expects to collect from balances outstanding. Accounts receivable arise in the normal course of business. Management closely monitors outstanding balances throughout the year and writes off balances that are considered uncollectible. No allowance for doubtful accounts is deemed necessary as of June 30, 2017 as management has determined that all amounts are collectible.

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.

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, 2017 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 November 13, 2017, which is the date the financial statements were available to be issued.

Note 2 – Concentrations of Credit Risk

Cash

The Organization maintains cash balances at several financial institutions that are insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation to a limit of \$250,000 per institution. At June 30, 2017, the Organization's uninsured cash balances totaled \$962,808. The Organization has not experienced any losses in its bank deposit accounts and believes it is not exposed to any significant credit risk on cash.

ALZHEIMER'S SAN DIEGO
Notes to Financial Statements
Year Ended June 30, 2017

Note 3 – Grants Receivable

Grants receivable consist of the following as of June 30, 2017:

Administration for Community Living	\$	43,551
Jewish Family Services		37,500
Geriatrics Workforce Enhancement Program/San Diego State University		18,800
Alzheimer's Greater Los Angeles		<u>8,639</u>
	\$	<u>108,490</u>

Note 4 – Furniture and Equipment

Furniture and equipment consist of the following as of June 30, 2017:

Furniture and fixtures	\$	22,729
Computer hardware		<u>5,200</u>
		27,929
Less: accumulated depreciation and amortization		<u>(4,456)</u>
	\$	<u>23,473</u>

Note 5 – Note Payable

Note payable consists of the following at June 30, 2017:

Alzheimer's Orange County, payable in monthly installments of \$8,264 including 6.00% interest rate, through December 2021.	\$	<u>383,286</u>
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Future maturities on the note payable are as follows as of June 30, 2017:

<u>Year Ending June 30,</u>		
2018	\$	77,871
2019		82,674
2020		87,773
2021		93,187
2022		<u>41,781</u>
	\$	<u>383,286</u>

ALZHEIMER'S SAN DIEGO
Notes to Financial Statements
Year Ended June 30, 2017

Note 6 – Net Assets

Temporarily restricted net assets are available as of June 30, 2017:

Grants - Clinical Trials	\$	70,735
Grants - Respite		38,902
Contributions restricted to use, not yet expended		<u>17,821</u>
	\$	<u><u>127,458</u></u>

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. Deferred rent is included in the statement of financial position under accrued expenses and had a balance of \$2,306 as of June 30, 2017. Rental expense was approximately \$107,000 for the year ended June 30, 2017.

Minimum future lease payments under this operating lease are due as follows as of June 30, 2017:

<u>Year Ending June 30,</u>		
2018	\$	111,648
2019		114,853
2020		19,231
Thereafter		<u>-</u>
	\$	<u><u>245,732</u></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.

Note 9 – Retirement Plan

The Organization has a 401(k) retirement plan for employees who are eligible after 90 days of continuous employment. The plan is structured to provide for employee salary reduced contributions on a voluntary basis. Employee contributions are limited to the legal maximum allowed and include catch-up contributions for participants age 50 or older. The Organization may make discretionary contributions to the plan. The Organization made \$14,334 in discretionary contributions during the year ended June 30, 2017.