

Armanino^{LLP}
50 West San Fernando Street
Suite 500
San Jose, CA 95113-2438
408 200 6400 main
408 200 6401 fax
armaninoLLP.com



The Board of Directors
Respite and Research for Alzheimer's Disease
San Jose, California

In planning and performing our audit of the financial statements of Respite and Research for Alzheimer's Disease (Organization) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

The management of Respite and Research for Alzheimer's Disease is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objective of an internal control structure is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of an evaluation of the structure to future period is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This communication is intended solely for the information and use of management, Board of Directors of Respite and Research for Alzheimer's Disease, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}

San Jose, California
September 21, 2015



**Respite and Research for
Alzheimer's Disease**

Financial Statements
June 30, 2015

(With Summarized Comparative Information
for the Year Ended June 30, 2014)

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee of
Respite and Research for Alzheimer's Disease
San Jose, California

We have audited the accompanying financial statements of Respite and Research for Alzheimer's Disease (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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.

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 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 Respite and Research for Alzheimer's Disease as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements as of and for the year ended June 30, 2014 were audited by Berger Lewis Accountancy Corporation, whose practice became part of Armanino^{LLP} as of January 1, 2015, and whose report dated August 29, 2014, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Jose, California

September 21, 2015

RESPITE AND RESEARCH FOR ALZHEIMER'S DISEASE
Statement of Financial Position
June 30, 2015
(With Comparative Totals for 2014)

ASSETS

	2015	2014
Cash and cash equivalents	\$ 402,393	\$ 112,001
Investments	940,944	946,881
Accounts receivable	44,413	48,574
Grants receivable	32,655	68,792
Prepaid expenses and other assets	33,626	9,007
Property and equipment, net	1,644,606	1,725,566
Total assets	\$ 3,098,637	\$ 2,910,821

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued liabilities	\$ 114,186	\$ 111,236
Deferred revenue	26,282	5,958
Total liabilities	140,468	117,194
Net assets		
Unrestricted		
Undesignated	1,288,327	1,058,540
Invested in property and equipment	1,644,606	1,725,566
Total unrestricted	2,932,933	2,784,106
Temporarily restricted	25,236	9,521
Total net assets	2,958,169	2,793,627
Total liabilities and net assets	\$ 3,098,637	\$ 2,910,821

The accompanying notes are an integral part of these financial statements.

RESPITE AND RESEARCH FOR ALZHEIMER'S DISEASE

Statement of Activities

For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

	2015			2014 Total
	Unrestricted	Temporarily Restricted	Total	
Support and Revenue				
Contributions and grants	\$ 142,561	\$ 27,390	\$ 169,951	\$ 165,676
Government grants and contracts	426,881	-	426,881	222,263
Program service fees	1,255,743	-	1,255,743	1,111,125
Investment income (loss)	(6,733)	-	(6,733)	126,906
Total support and revenue	<u>1,818,452</u>	<u>27,390</u>	<u>1,845,842</u>	<u>1,625,970</u>
Net assets released from restrictions				
Satisfaction of program/time restrictions	<u>11,675</u>	<u>(11,675)</u>	<u>-</u>	<u>-</u>
Total support and revenue and net assets released from restrictions	<u>1,830,127</u>	<u>15,715</u>	<u>1,845,842</u>	<u>1,625,970</u>
Expenses				
Program services	1,486,952	-	1,486,952	1,428,385
Management and general	181,733	-	181,733	161,921
Fundraising	12,615	-	12,615	9,473
Total expenses	<u>1,681,300</u>	<u>-</u>	<u>1,681,300</u>	<u>1,599,779</u>
Change in net assets	<u>148,827</u>	<u>15,715</u>	<u>164,542</u>	<u>26,191</u>
Net assets, beginning of year	<u>2,784,106</u>	<u>9,521</u>	<u>2,793,627</u>	<u>2,767,436</u>
Net assets, end of year	<u>\$ 2,932,933</u>	<u>\$ 25,236</u>	<u>\$ 2,958,169</u>	<u>\$ 2,793,627</u>

The accompanying notes are an integral part of these financial statements.

RESPITE AND RESEARCH FOR ALZHEIMER'S DISEASE
Statement of Functional Expenses
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

	2015				2014 Total
	Program Services	Management and General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 1,137,444	\$ 111,407	\$ 12,615	\$ 1,261,466	\$ 1,220,958
Professional fees	23,623	47,966	-	71,589	66,367
Supplies	26,785	1,936	-	28,721	22,711
Food	92,348	185	-	92,533	86,048
Telephone	12,082	1,268	-	13,350	9,091
Printing	2,684	282	-	2,966	1,974
Postage and shipping	2,251	236	-	2,487	3,234
Occupancy	71,169	7,471	-	78,640	63,838
Equipment rent, maint. and internet	9,733	1,022	-	10,755	11,583
Insurance	15,051	1,580	-	16,631	13,969
Membership dues/licensing	4,624	243	-	4,867	2,754
Advertising	2,989	314	-	3,303	3,633
Staff recognition/education	5,503	-	-	5,503	1,221
Donor recognition	2,803	-	-	2,803	-
Bad debts	3,402	-	-	3,402	-
Miscellaneous	1,192	132	-	1,324	948
Depreciation and amortization	73,269	7,691	-	80,960	91,450
Total expenses	<u>\$ 1,486,952</u>	<u>\$ 181,733</u>	<u>\$ 12,615</u>	<u>\$ 1,681,300</u>	<u>\$ 1,599,779</u>
Percentage of total	<u>88%</u>	<u>11%</u>	<u>1%</u>	<u>100.00%</u>	

The accompanying notes are an integral part of these financial statements.

RESPITE AND RESEARCH FOR ALZHEIMER'S DISEASE
Statement of Cash Flows
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 164,542	\$ 26,191
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	80,960	91,450
Net realized and unrealized (gains)/losses on investments	28,129	(114,909)
Changes in operating assets and liabilities		
Receivables	40,298	30,046
Prepaid expenses and other assets	(24,619)	(7,007)
Accounts payable and accrued expenses	2,950	(18,870)
Deferred revenue	20,324	4,428
Net cash provided by operating activities	312,584	11,329
Cash flows from investing activities		
Acquisition of investments	(72,040)	-
Proceeds from sales of investments	49,848	-
Net cash used in investing activities	(22,192)	-
Net increase in cash and cash equivalents	290,392	11,329
Cash and cash equivalents, beginning of year	112,001	100,672
Cash and cash equivalents, end of year	\$ 402,393	\$ 112,001

The accompanying notes are an integral part of these financial statements.

RESPITE AND RESEARCH FOR ALZHEIMER'S DISEASE
Notes to Financial Statements
June 30, 2015 and 2014

1. Organization and Summary of Significant Accounting Policies

Organization

Respite and Research for Alzheimer's Disease (the "Organization") is a California not-for-profit that has operated for over 25 years with the mission of supporting those affected by Alzheimer's and other dementias. The Organization achieves its mission by creating a sense of community for clients, families, and caregivers through services at the Alzheimer's Activity Center, Rosa Elena Childcare Center and the Edmondson Living Center. The Organization's primary source of revenue and support is from contributions and program fees.

Program services

Alzheimer's Activity Center

Alzheimer's Activity Center provides a therapeutic activity program and socialization to individuals with Alzheimer's disease and related memory loss. The services that are provided include assistance with activities of daily living, respite for caregivers, health monitoring, support services and education, and nutritional monitoring. Intergenerational programming brings together young children and individuals with Alzheimer's disease for a therapeutic, stimulating, and beneficial environment for both. Approximately 182 individuals were served during the year ended June 30, 2015.

Rosa Elena Childcare Center

Rosa Elena Childcare Center accepts children from the age of two to entry to first grade, and takes a child-centered approach to learning. Intergenerational programming brings together young children and individual with Alzheimer's disease for a therapeutic, stimulating, and beneficial environment for both. Approximately 32 children were served during the year ended June 30, 2015.

Edmondson Living Center

The Edmondson Living Center is a dementia specific 14 bed licensed residential care facility for the elderly. The residents of the Edmondson Living Center attend the Alzheimer's Activity Center a minimum of three days a week. The Center closed in September of 2013. No people were served during the year ended June 30, 2015.

Basis of presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. Net assets and changes therein are classified as follows:

- Permanently restricted net assets include those assets which are subject to non-expiring donor restrictions, such as endowments. There are currently no permanently restricted net assets.

RESPITE AND RESEARCH FOR ALZHEIMER'S DISEASE
Notes to Financial Statements
June 30, 2015 and 2014

1. Organization and Summary of Significant Accounting Policies (continued)

Basis of presentation (continued)

- Temporarily restricted net assets consist of donor restricted contributions. Amounts restricted by the donor, grantor or other outside party for a particular purpose or time period are reported as revenue when received and as such amounts are reported as temporarily restricted net assets. When a donor 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 statement of activities as net assets released from restrictions. The Organization does not imply a time restriction on gifts of long lived assets.
- Unrestricted net assets are available for the various programs and the administration of the Organization. Unrestricted net assets include net assets invested in property and equipment. Board designated funds are established by the Board of Directors and represent unrestricted funds which are to be used for future needs of the Organization. Net investment in property and equipment represents amounts expended for property and equipment used in the operations of the Organization, net of amounts borrowed, if any.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes is it not exposed to any significant risk on cash accounts.

Accounts and grants receivable

Accounts and grants receivable represent amounts due from grantors, and contractors. The Organization does not maintain an allowance for doubtful receivables due to the fact that the Organization has not had sufficient write-off experience with bad debts to warrant such an allowance. When an account is deemed uncollectible, it is charged against the related revenue account.

Property and equipment

Property and equipment is recorded at cost or, if contributed, at the estimated fair value when donated. Depreciation is computed using the straight line method over estimated useful lives, which range from five to thirty-five years. It is the Organization's policy to capitalize items costing more than \$1,000. Depreciation is recorded as a decrease in unrestricted net assets and the expense is charged to the activity benefiting from the use of the equipment.

Revenue recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Contract revenue and program fees are recognized as revenue in the period in which the service is provided.

RESPITE AND RESEARCH FOR ALZHEIMER'S DISEASE
Notes to Financial Statements
June 30, 2015 and 2014

1. Organization and Summary of Significant Accounting Policies (continued)

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the nature of donor restrictions. Restricted contributions are reported as increases in restricted net assets. When the restriction is met on a contribution received, the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Government grants and contracts

The Organization's programs are supported by grants and contracts from federal, state and local governments requiring services to be rendered to eligible individuals. These grants are recorded as an increase in unrestricted revenue. Included in government grants and contracts for the year ended June 30, 2015 are amounts received from the City of San Jose (CDBG - \$21,278), County of Santa Clara (General Fund - \$66,420), and Santa Clara County: Family Caregiver Support Program (Sourcewise - \$75,000) and One Time Only Service Expansion (Sourcewise - \$25,000).

In-kind contributions

Contributed materials and equipment are reflected as contributions in the accompanying statements at their estimated fair values at date of receipt. Contributed services are reflected in the financial statements at the fair value of the services received. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Other donated services and materials that did not have a determinate value were not recorded.

Investments

Investments are stated at fair value in the statement of financial position based on quoted market prices provided by investment managers. Dividends and interest are accrued as earned and recorded as unrestricted revenue unless income is restricted by the donor. The unrealized gain or loss for the current period is reported as investment income or loss.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Organization's own assumptions about what market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

RESPITE AND RESEARCH FOR ALZHEIMER'S DISEASE
Notes to Financial Statements
June 30, 2015 and 2014

1. Organization and Summary of Significant Accounting Policies (continued)

Fair value measurements (continued)

The following methods and assumptions were used to estimate the fair value of financial assets and liabilities:

- (a) Investments (Level 1). Investment securities traded on security exchanges are valued at closing market prices on the date closest to June 30.

Valuation techniques utilized during the reporting period in the fair value measurement of assets and liabilities presented on the Organization's statement of financial position were not changed from previous practice.

Income taxes

The Organization is a qualified organization exempt from federal and California income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) and 23701(d) of the State of California Revenue and Taxation Code. As such, the Organization qualifies for the maximum charitable contribution deduction by donors.

The Organization has evaluated its current tax positions and has concluded that as of June 30, 2015, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Advertising

The Organization expenses all advertising costs, including direct response advertising costs, as they are incurred. Advertising costs for the year ended June 30, 2015 and 2014 totaled \$3,303 and \$3,633, respectively.

Functional expense allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect expense allocations are based on an analysis of personnel time and estimated use.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Uses of estimates include, but are not limited to, depreciation and the allocation of certain indirect costs.

RESPITE AND RESEARCH FOR ALZHEIMER'S DISEASE
Notes to Financial Statements
June 30, 2015 and 2014

1. Organization and Summary of Significant Accounting Policies (continued)

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Subsequent events

The Organization has evaluated subsequent events through September 21, 2015, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.

2. Investments

The following table summarizes the valuation of the Organization's investments which are measured on a recurring basis at June 30:

	<u>2015</u>	<u>2014</u>
Mutual Funds	\$ 576,994	\$ 556,607
Exchange Traded and Closed End Funds	<u>363,950</u>	<u>390,274</u>
Total	<u>\$ 940,944</u>	<u>\$ 946,881</u>
	<u>2015</u>	<u>2014</u>
Investment income (loss)		
Realized and unrealized gains (losses)	\$ (28,129)	\$ 114,909
Interest and dividends	30,237	20,159
Management fees	<u>(8,841)</u>	<u>(8,162)</u>
Total	<u>\$ (6,733)</u>	<u>\$ 126,906</u>

All of the Organization's investments are classified as Level 1 investments (see Note 1).

RESPITE AND RESEARCH FOR ALZHEIMER'S DISEASE
Notes to Financial Statements
June 30, 2015 and 2014

3. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Building and improvements	\$ 2,871,746	\$ 2,871,746
Office furniture and equipment	234,164	234,164
Less accumulated depreciation and amortization	<u>(1,461,304)</u>	<u>(1,380,344)</u>
Property and equipment, net	<u>\$ 1,644,606</u>	<u>\$ 1,725,566</u>

Depreciation and amortization expense was \$80,960 and \$91,450 for the years ended June 30, 2015 and 2014, respectively.

4. Retirement Plan

The Organization maintains a retirement plan (403(b)) for all eligible employees. Employees are allowed to contribute the maximum amount set by law. The Organization offers a 3% salary match to the eligible employees. As of January 1, 2013, the employer match has been suspended.

5. Contingent Liabilities

Conditions contained within the various contracts awarded to the Organization are subject to the funding agencies' criteria and regulations under which expenditures may be charged against and are subject to be audited under such regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants may not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding source for the costs or be subject to the reductions in future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

6. Temporarily Restricted Net Assets

At June 30, 2015 and 2014 the Organization's temporarily restricted funds consist of donor contributions earmarked for scholarships.

7. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year ended June 30, 2015. All net assets released from restrictions during the year ended were for scholarships for program fees.