

Respite and Research for Alzheimer's Disease

Financial Statements

June 30, 2016

(With Comparative Totals for 2015)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
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 California nonprofit corporation) (the "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 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 (the "U.S."); 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 U.S. 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, 2016, 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 U.S.

Report on Summarized Comparative Information

We have previously audited Respite and Research for Alzheimer's Disease's 2015 financial statements, and our report dated September 21, 2015 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Jose, California

September 7, 2016

Respite and Research for Alzheimer's Disease
Statement of Financial Position
June 30, 2016
(With Comparative Totals for 2015)

	2016	2015
ASSETS		
Cash	\$ 696,276	\$ 402,393
Investments	859,119	940,944
Accounts receivable	33,497	44,413
Grants receivable	36,186	32,655
Prepaid expenses and other assets	28,686	33,626
Property and equipment, net	1,641,147	1,644,606
 Total assets	 \$ 3,294,911	 \$ 3,098,637
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 15,537	\$ 9,761
Accrued expenses	95,767	104,425
Deferred revenue	28,122	26,282
Total liabilities	139,426	140,468
Net assets		
Unrestricted		
Undesignated	1,484,106	1,288,327
Invested in property and equipment	1,641,147	1,644,606
Total unrestricted	3,125,253	2,932,933
Temporarily restricted	30,232	25,236
Total net assets	3,155,485	2,958,169
 Total liabilities and net assets	 \$ 3,294,911	 \$ 3,098,637

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, 2016
(With Comparative Totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Support and revenue				
Contributions and grants	\$ 223,035	\$ 7,900	\$ 230,935	\$ 169,951
Government grants and contracts	335,971	-	335,971	426,881
Program service fees	1,383,312	-	1,383,312	1,255,743
Investment income (loss)	<u>(16,468)</u>	<u>-</u>	<u>(16,468)</u>	<u>(6,733)</u>
Total support and revenue	1,925,850	7,900	1,933,750	1,845,842
Net assets released from restriction	<u>2,904</u>	<u>(2,904)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,928,754</u>	<u>4,996</u>	<u>1,933,750</u>	<u>1,845,842</u>
Functional expenses				
Program Services	1,516,567	-	1,516,567	1,486,952
Management and General	207,083	-	207,083	181,733
Fundraising	<u>12,784</u>	<u>-</u>	<u>12,784</u>	<u>12,615</u>
Total functional expenses	<u>1,736,434</u>	<u>-</u>	<u>1,736,434</u>	<u>1,681,300</u>
Change in net assets	192,320	4,996	197,316	164,542
Net assets, beginning of year	<u>2,932,933</u>	<u>25,236</u>	<u>2,958,169</u>	<u>2,793,627</u>
Net assets, end of year	<u>\$ 3,125,253</u>	<u>\$ 30,232</u>	<u>\$ 3,155,485</u>	<u>\$ 2,958,169</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, 2016
(With Comparative Totals for 2015)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2016 Total</u>	<u>2015 Total</u>
Salaries, payroll taxes and benefits	\$ 1,152,844	\$ 112,780	\$ 12,784	\$ 1,278,408	\$ 1,261,466
Food	85,934	172	-	86,106	92,533
Depreciation and amortization	71,990	7,557	-	79,547	80,960
Occupancy	71,777	7,535	-	79,312	78,640
Professional fees	36,168	65,647	-	101,815	72,289
Supplies	23,340	5,834	-	29,174	28,721
Insurance	18,995	1,994	-	20,989	16,631
Telephone	15,742	1,652	-	17,394	13,350
Equipment rent, maintenance, and internet	14,269	1,498	-	15,767	10,755
Staff/volunteer recognition/education	8,247	867	-	9,114	5,896
Membership dues/licensing	5,064	267	-	5,331	4,867
Bad debts	-	-	-	-	3,402
Advertising	5,024	527	-	5,551	3,303
Printing	3,730	392	-	4,122	2,966
Donor recognition	108	11	-	119	2,803
Postage and shipping	2,824	296	-	3,120	2,487
Meetings and travel	<u>511</u>	<u>54</u>	<u>-</u>	<u>565</u>	<u>231</u>
	<u>\$ 1,516,567</u>	<u>\$ 207,083</u>	<u>\$ 12,784</u>	<u>\$ 1,736,434</u>	<u>\$ 1,681,300</u>
Percentage of total	<u>87.34 %</u>	<u>11.92 %</u>	<u>0.74 %</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, 2016
(With Comparative Totals for 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 197,316	\$ 164,542
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	79,547	80,960
Net realized and unrealized (gains)/losses on investments	47,030	28,129
Changes in operating assets and liabilities		
Receivables	7,386	40,298
Prepaid expenses and other assets	4,940	(24,619)
Accounts payable and accrued expenses	(2,884)	2,950
Deferred revenue	1,840	20,324
Net cash provided by operating activities	335,175	312,584
Cash flows from investing activities		
Acquisition of investments	(232,772)	(72,040)
Acquisition of equipment	(76,087)	-
Proceeds from sales of investments	267,567	49,848
Net cash used in investing activities	(41,292)	(22,192)
Net increase in cash and cash equivalents	293,883	290,392
Cash and cash equivalents, beginning of year	402,393	112,001
Cash and cash equivalents, end of year	\$ 696,276	\$ 402,393

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

Respite and Research for Alzheimer's Disease
Notes to Financial Statements
June 30, 2016
(With Comparative Totals for 2015)

1. 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 disease 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 and the Rosa Elena Childcare Center. The Organization's primary source of revenue and support is from contributions and program fees.

Program services

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 218 individuals were served during the year ended June 30, 2016.

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 37 children were served during the year ended June 30, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement 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:

- *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, when established by the Board of Directors 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.

Respite and Research for Alzheimer's Disease
Notes to Financial Statements
June 30, 2016
(With Comparative Totals for 2015)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement 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.
- *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.

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 it is 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. The underlying land where the buildings are located is being leased from the County of Santa Clara under a 50 year lease expiring November 2037. Under the terms of the lease there are no payments due.

Respite and Research for Alzheimer's Disease
Notes to Financial Statements
June 30, 2016
(With Comparative Totals for 2015)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2016, are amounts received from the City of San Jose (CDBG - \$21,388), County of Santa Clara (General Fund - \$68,579), and Santa Clara County: Family Caregiver Support Program (Sourcewise - \$85,020).

In-kind contributions

Contributed materials and equipment, when received, are reflected as contributions in the accompanying statements at their estimated fair values at date of receipt. Contributed services, when received, 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, when received, 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.

Respite and Research for Alzheimer's Disease
Notes to Financial Statements
June 30, 2016
(With Comparative Totals for 2015)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 tax status

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, 2016, 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, 2016 and 2015, totaled \$5,551 and \$3,303, respectively.

Respite and Research for Alzheimer's Disease
Notes to Financial Statements
June 30, 2016
(With Comparative Totals for 2015)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2015, from which the summarized information was derived.

Subsequent events

The Organization has evaluated subsequent events through September 7, 2016, 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.

Respite and Research for Alzheimer's Disease
Notes to Financial Statements
June 30, 2016
(With Comparative Totals for 2015)

3. INVESTMENTS

Investments consist of the following:

	2016	2015
Mutual funds	\$ 511,468	\$ 576,994
Exchange traded and closed end funds	347,651	363,950
	\$ 859,119	\$ 940,944

Investment earnings (losses) during the year consist of the following:

	2016	2015
Realized and unrealized gains (losses)	\$ (47,030)	\$ (28,129)
Interest and dividends	38,717	30,237
Management fees	(8,155)	(8,841)
	\$ (16,468)	\$ (6,733)

All of the Organization's investments are classified as Level 1 investments (see Note 2).

4. PROPERTY AND EQUIPMENT

Property and Equipment consist of the following:

	2016	2015
Building and Improvements	\$ 2,947,834	\$ 2,871,746
Office Furniture and Equipment	234,164	234,164
Accumulated Depreciation	(1,540,851)	(1,461,304)
	\$ 1,641,147	\$ 1,644,606

Depreciation and amortization expense was \$79,547 and \$80,960 for the years ended June 30, 2016 and 2015, respectively.

5. 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 does not offer a match.

Respite and Research for Alzheimer's Disease
Notes to Financial Statements
June 30, 2016
(With Comparative Totals for 2015)

6. CONTINGENCIES

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.

7. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2016 and 2015 the Organization's temporarily restricted funds consist of donor contributions earmarked for scholarships.

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, 2016. All net assets released from restrictions during the year ended were for scholarships for program fees.

8. SUBSEQUENT EVENT

The Organization is currently in discussions with the County of Santa Clara on the use and/or ownership of the Edmondson Living Center building, located on County Land (see Note 2). These discussions are in the preliminary stages and management is of the opinion that the Organization will ultimately have continued use of this property.