

ALZHEIMER'S GREATER LOS ANGELES

FINANCIAL STATEMENTS

JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Alzheimer's Greater Los Angeles

Report on the Financial Statements

We have audited the accompanying financial statements of Alzheimer's Greater Los Angeles (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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 controls 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 Greater Los Angeles 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.

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Prior Period Financial Statements

The financial statements of Alzheimer's Greater Los Angeles as of June 30, 2016, were audited by other auditors whose report dated November 15, 2016, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017 on our consideration of Alzheimer's Greater Los Angeles' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Alzheimer's Greater Los Angeles' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alzheimer's Greater Los Angeles' internal control over financial reporting and compliance.

Harrington Group

Pasadena, California

October 27, 2017

ALZHEIMER'S GREATER LOS ANGELES

STATEMENT OF FINANCIAL POSITION

June 30, 2017

With comparative totals at June 30, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 737,366	\$ 708,101
Grants receivable - government, state and federal	169,874	247,627
Grants receivable - other	154,471	-
Other receivables - (net of allowance for uncollectible accounts of \$1,264 and \$1,264, respectively)	10,867	272
Accrued interest	18,852	29,884
Bequests receivable	-	395,940
Pledges receivable (Note 3)	471,000	58,000
Investments (Note 4)	6,341,551	7,854,197
Prepaid expenses	161,618	106,376
Land held for investment	5,000	5,000
Property and equipment - net (Note 6)	387,174	309,848
TOTAL ASSETS	<u>\$ 8,457,773</u>	<u>\$ 9,715,245</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 155,763	\$ 167,493
Accrued liabilities (Note 7)	426,860	553,607
Due to Alzheimer's Association (Note 8)	38,239	38,239
Deferred grant revenue	28,228	1,184
TOTAL LIABILITIES	<u>649,090</u>	<u>760,523</u>
NET ASSETS		
Unrestricted	4,877,191	6,808,553
Temporarily restricted (Note 10)	2,931,492	2,146,169
TOTAL NET ASSETS	<u>7,808,683</u>	<u>8,954,722</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,457,773</u>	<u>\$ 9,715,245</u>

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

ALZHEIMER'S GREATER LOS ANGELES

STATEMENT OF ACTIVITIES

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017</u>	<u>2016</u>
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 2,428,542	\$ 1,166,801	\$ 3,595,343	\$ 3,717,273
Special events	223,648	635,335	858,983	519,494
Government grants (Note 11)	947,160		947,160	943,190
Gifts in kind	553,000		553,000	555,000
Investment income - net (Note 4)	454,475		454,475	91,352
Other grants	17,957		17,957	23,054
Program service and educational workshop fees	16,350		16,350	34,780
Other	8,550		8,550	3,226
Loss on disposal of property and equipment	(176)		(176)	(17,967)
Sales of books and educational materials, net of direct expenses of \$6,175 and \$3,001, respectively	(3,964)		(3,964)	2,202
Net assets released from restriction of time or purpose	1,016,813	(1,016,813)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	<u>5,662,355</u>	<u>785,323</u>	<u>6,447,678</u>	<u>5,871,604</u>
EXPENSES				
Program services	5,624,347		5,624,347	5,353,358
Supporting Services	1,969,370		1,969,370	1,507,015
TOTAL EXPENSES	<u>7,593,717</u>	<u>-</u>	<u>7,593,717</u>	<u>6,860,373</u>
CHANGE IN NET ASSETS	(1,931,362)	785,323	(1,146,039)	(988,769)
NET ASSETS, BEGINNING OF YEAR	6,808,553	2,146,169	8,954,722	10,604,801
Transfer of temporarily restricted net assets upon disassociation from Alzheimer's Disease and Related Disorders Association	-	-	-	(661,310)
NET ASSETS, END OF YEAR	<u>\$ 4,877,191</u>	<u>\$ 2,931,492</u>	<u>\$ 7,808,683</u>	<u>\$ 8,954,722</u>

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

ALZHEIMER'S GREATER LOS ANGELES

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	Program Services					Total Program Services	Support Services			Total Supporting Services	Total Expenses	
	Family Services & Education	Professional Training	Public Policy	Public Awareness	Research		Management and General	Fundraising	2017		2016	
Salaries	\$ 1,635,353	\$ 355,461	\$ 186,302	\$ 594,843	\$ -	\$ 2,771,959	\$ 223,921	\$ 818,670	\$ 1,042,591	\$ 3,814,550	\$ 3,467,285	
Payroll taxes and employee benefits	349,052	71,341	36,999	118,697		576,089	46,105	158,714	204,819	780,908	624,355	
Total personnel costs	1,984,405	426,802	223,301	713,540	-	3,348,048	270,026	977,384	1,247,410	4,595,458	4,091,640	
Printing and publications	79,275	3,504	1,410	744,490		828,679	653	95,514	96,167	924,846	873,049	
Contract labor	165,345	21,989	14,608	100,700		302,642	115,934	130,421	246,355	548,997	491,948	
Grants and allocations	253,918		79,949		78,000	411,867			-	411,867	381,935	
Occupancy, utilities, and insurance	186,193	23,430	10,113	50,214		269,950	14,919	37,801	52,720	322,670	328,768	
Conference, conventions, and meetings	38,098	3,590	5,214	113,935		160,837	3,079	102,523	105,602	266,439	272,761	
Equipment rental and maintenance	62,410	2,840	2,951	12,221	2	80,424	16,230	52,022	68,252	148,676	94,251	
Travel	35,192	4,584	12,313	12,497	88	64,674	3,543	29,171	32,714	97,388	100,936	
Postage and shipping	5,237	484	45	23,086		28,852	1,009	37,044	38,053	66,905	33,781	
Depreciation and amortization	31,259	4,799	2,503	7,463		46,024	3,575	8,508	12,083	58,107	32,615	
Interest and bank charges						-	5,056	40,960	46,016	46,016	34,542	
Office and other supplies	23,031	3,561	446	3,054	67	30,159	5,557	4,754	10,311	40,470	56,316	
Telephone	20,318	3,926	1,713	5,779		31,736	2,720	5,998	8,718	40,454	42,358	
Miscellaneous	5,879	220	2,788	7,492		16,379	2,658	1,678	4,336	20,715	17,796	
Staff recruitment	1,389	361	330	1,290		3,370	23	182	205	3,575	6,035	
Taxes and licenses	521	74	25	86		706	53	375	428	1,134	1,642	
TOTAL 2017 FUNCTIONAL EXPENSES	\$ 2,892,470	\$ 500,164	\$ 357,709	\$ 1,795,847	\$ 78,157	\$ 5,624,347	\$ 445,035	\$ 1,524,335	\$ 1,969,370	\$ 7,593,717		
TOTAL 2016 FUNCTIONAL EXPENSES	\$ 2,691,902	\$ 519,084	\$ 321,153	\$ 1,783,484	\$ 37,735	\$ 5,353,358	\$ 512,757	\$ 994,258	\$ 1,507,015		\$ 6,860,373	

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

ALZHEIMER'S GREATER LOS ANGELES

STATEMENT OF CASH FLOWS

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	2017	2016
CASH FLOWS TO OPERATING ACTIVITIES:		
Change in net assets	\$ (1,146,039)	\$ (988,769)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation and amortization	58,107	32,615
Loss on disposal of property and equipment	176	17,967
(Gain) loss on investments	(337,426)	42,785
(Increase) decrease in operating assets:		
Grants receivable	(76,718)	9,930
Other receivables	(10,595)	18,531
Accrued interest	11,032	7,138
Bequests receivable	395,940	(218,840)
Pledges receivable	(413,000)	57,000
Due from Alzheimer's Association	-	543,914
Prepaid expenses	(55,242)	(31,456)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(138,477)	234,078
Deferred revenue	27,044	(15,168)
NET CASH (USED) BY OPERATING ACTIVITIES	(1,685,198)	(290,275)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	4,476,333	3,092,304
Purchase of investments	(2,449,660)	(2,421,341)
Interest and dividend income reinvested	(176,601)	(212,048)
Purchase of property and equipment	(135,609)	(302,077)
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,714,463	156,838
CASH FLOWS TO FINANCING ACTIVITIES:		
Transfer of temporarily restricted net assets upon disassociation from Alzheimer's Association	-	(661,310)
NET CASH (USED) BY FINANCING ACTIVITIES	-	(661,310)
NET INCREASE (DECREASE) IN CASH	29,265	(794,747)
CASH, BEGINNING OF YEAR	708,101	1,502,848
CASH, END OF YEAR	\$ 737,366	\$ 708,101

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

ALZHEIMER'S GREATER LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

1. **Organization**

The mission of Alzheimer's Greater Los Angeles ("ALZGLA") is to improve the lives of local families affected by Alzheimer's/Dementia by increasing awareness, delivering effective programs/services, providing compassionate support, advocating for quality care and a cure and supporting local research. ALZGLA was founded by concerned family caregivers in 1980 with the goal of meeting the needs of a diverse population of people living with Alzheimer's disease or related dementias, and their families. It was incorporated as an independent nonprofit in 1981 and affiliated with the national Alzheimer's Association in 1984 as an independent local chapter. In early 2016 ALZGLA disaffiliated from the national organization, which was urging its independent chapters to merge into a single nationwide entity focused on research and policy. The disaffiliation reflects a reaffirmation of the ALZGLA commitment to providing services that are tailored to the cultures and circumstances of local families.

More than ever, ALZGLA is focusing on local needs and how to meet them, including objectives to: increase awareness and fight stigma; build capacity to serve individuals and families coping with this catastrophic condition; advocate for better public policies; and build dementia-capable communities through activities like training police and health care providers. This is achieved by offering supportive services to assist people living with Alzheimer's or related dementias, and by educating family caregivers, the public, and health care professionals.

2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of ALZGLA are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

ALZHEIMER'S GREATER LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Unrestricted. These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest and dividends from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily Restricted. ALZGLA reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the 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 program or capital restrictions.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit ALZGLA to expend all of the income (or other economic benefits) derived from the donated assets. ALZGLA has no permanently restricted net assets at June 30, 2017.

Cash and Cash Equivalents

ALZGLA has defined cash and cash equivalents as highly-liquid investments with maturities of three months or less when purchased, and not held for investment purposes.

Grants and Pledges Receivable

Grants receivable and unconditional pledges are reported as assets and as revenues or gains in the period in which the grant or pledge is received. An allowance for uncollectible grants and pledges is recorded based on an analysis of collection histories and on a review of the credit worthiness of grantors and donors. Based on management's estimate, no allowance for doubtful grants or pledges was recorded for the year ended June 30, 2017. The effective interest rate for the discount on receivables due in more than one year is based on market interest rates in effect at the time of the pledges. The market rates during the 2017 year were nominal: no discounts were recognized on pledges made during the current year ended June 30, 2017.

Accounts Receivable

ALZGLA uses the allowance method in order to reserve for potentially uncollectible accounts receivable.

Investments

ALZGLA values its investments at fair value based on quoted market prices. Realized and unrealized gains and losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as investment income. Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation.

continued

ALZHEIMER'S GREATER LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs – quoted prices in active markets for identical assets

Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs – estimates using the best information available when there is little or no market

ALZGLA is required to measure certain investments and in-kind contributions at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

Concentration of Credit Risks

Financial instruments, which potentially subject ALZGLA to a concentration of credit risk, consist of cash, and accounts and grants receivable.

ALZGLA maintains its cash balances at Wells Fargo Bank. These accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) or are backed by a federal state government agency. At times, cash balances may exceed FDIC insurance limits. ALZGLA has not experienced any losses in such accounts and believes that they are not exposed to any significant credit risk to cash and cash equivalents.

The risk with respect to accounts and grants receivable is considered low because they are from established governmental programs or from major charities, corporations and foundations.

Property and Equipment

Property and equipment are recorded at cost if purchased, or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than five years.

Donated Materials and Services

Non-cash contributions of materials are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of non-cash services that create or enhance non-financial assets or that require specialized skills are recorded at fair value in the period received. These services are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, hence they are recorded at fair value in the period received. For the year ended June 30, 2017, ALZGLA received \$553,000 of donated services which met the criteria for recognition.

continued

ALZHEIMER'S GREATER LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Management estimates that 2,000 volunteers have donated in excess of 10,500 hours answering help-line telephones, assisting with special events and providing other non-specialized administrative services. However, since there is no objective basis for measuring and valuing these services, they are not reflected in the accompanying financial statements.

Income Taxes

ALZGLA is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by ALZGLA in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. ALZGLA's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing ALZGLA's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. ALZGLA uses a combination of relative square footage and salary costs to allocate indirect costs.

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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with ALZGLA's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

continued

ALZHEIMER'S GREATER LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Reclassification

For comparability, certain June 30, 2016 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at June 30, 2017.

Subsequent Events

Management has evaluated subsequent events through October 27, 2017, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. Management has deemed these pledges collectible; accordingly no allowance for doubtful accounts has been established for uncollectible pledges. Additionally, all pledges are valued at their estimated fair value at June 30, 2017. Total amount of pledges receivable at June 30, 2017, of \$471,000 is expected to be collected as follows:

<u>Year ending June 30,</u>	
2018	\$342,000
2019	62,000
2020	32,000
2021	30,000
2022	<u>5,000</u>
Pledge receivable, net at June 30, 2017	<u>\$471,000</u>
Restricted for:	
Programs and services	\$446,000
Naming	<u>25,000</u>
	<u>\$471,000</u>

continued

ALZHEIMER'S GREATER LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

4. Investments

Investments at June 30, 2017 consist of the following:

Fixed income	
Corporate bonds	\$2,214,828
Municipal bonds	103,593
U.S. treasuries	414,780
CMO and asset backed securities	11,622
Equities	2,941,863
Exchange traded funds	602,710
Mutual funds	39,750
Bond funds	<u>12,405</u>
Total investments	<u>\$6,341,551</u>

The investment returns for the year ended June 30, 2017 consist of the following:

Interest and dividend income	\$176,601
Realized gain - net	78,611
Change in value of investments	<u>258,815</u>
	514,027
Investment expenses	<u>(59,552)</u>
Total investment income	<u>\$454,475</u>

These amounts are not necessarily indicative of the amounts ALZGLA could realize in a current market exchange. ALZGLA's investment portfolio is actively managed by professional investment advisers. The investment advisers routinely sell and purchase investments to achieve the desired portfolio mix and holdings.

continued

ALZHEIMER'S GREATER LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

5. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2017 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income				
Corporate bonds	\$2,214,828	\$ -	\$ -	\$2,214,828
Municipal bonds	103,593			103,593
U.S. treasuries	414,780			414,780
CMO and asset backed securities	11,622			11,622
Equities	2,941,863			2,941,863
Exchange traded funds	602,710			602,710
Mutual funds	39,750			39,750
Bond funds	12,405			12,405
	<u>\$6,341,551</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,341,551</u>

The fair values of investments have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

The table below presents transactions measured at fair value on a non-recurring basis during the ended at June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Donated service		553,000		553,000
	<u>\$ -</u>	<u>\$553,000</u>	<u>\$ -</u>	<u>\$553,000</u>

The fair value of donated services have been measured on a non-recurring basis using quoted prices for similar services in active markets (Level 2 inputs).

6. Property and Equipment

Property and equipment at June 30, 2017 consist of the following:

Branding, trademarks and copyrights	\$ 232,345
Office equipment	228,929
Furniture and fixtures	47,403
Leasehold improvements	<u>30,863</u>
	539,540
Less: accumulated depreciation	<u>(152,366)</u>
	<u>\$ 387,174</u>

Depreciation expense for the year ended June 30, 2017 was \$58,107.

continued

ALZHEIMER'S GREATER LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

7. Accrued Liabilities

Accrued liabilities at June 30, 2017 consist of the following:

Accrued vacation	\$204,391
Accrued payroll	136,419
Other accrued liabilities	<u>86,050</u>
Total accrued liabilities	<u>\$426,860</u>

8. Due to and from Alzheimer's Association shared fundraising

Under the affiliate agreement with Alzheimer's Association, ALZGLA participated in a shared fundraising arrangement.

The agreement was intended to enlarge and strengthen the donor base in ALZGLA's territory by combining fundraising activities. This agreement ended when ALZGLA disaffiliated with Alzheimer's Association in fiscal year 2016.

The terms of the agreement included the sharing of defined net fundraising revenue between Alzheimer's Association and ALZGLA. In addition, any grants or donations collected by ALZGLA but restricted for research were passed through to Alzheimer's Association. At June 30, 2017, ALZGLA owed Alzheimer's Association \$38,239, net based on this shared fundraising agreement.

The net liability under this arrangement has not been fully settled. ALZGLA does not anticipate any material future liability, accordingly no estimate of such liability is included in the financial statements.

9. Commitments and Contract Contingencies

Obligations Under Operating Leases

ALZGLA leases office space under operating leases. Future minimum payments, by year and in aggregate, under these leases consist of the following:

<u>Year ending June 30,</u>	
2018	\$188,760
2019	73,147
2020	37,425
2021	39,205
2022	<u>40,382</u>
Total obligations	<u>\$378,919</u>

Rent and other operating lease expenses for the year ended June 30, 2017 were \$291,394.

continued

ALZHEIMER'S GREATER LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

9. Commitments and Contract Contingencies, continued

Contracts

ALZGLA's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, ALZGLA has made no provision for the possible disallowance of program costs on its financial statements.

10. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 consist of the following:

For specific programs	
Family education and services	\$2,191,321
Naming	25,000
Research	5,671
Public awareness and development	5,463
Public policy	2,827
Professional training	<u>1,210</u>
	2,231,492
Assets required to be held until June 30, 2022	<u>700,000</u>
	<u>\$2,931,492</u>

For the year ended June 30, 2017 net assets released from time and purpose restrictions were \$1,016,813.

11. Revenue from Government Agencies

Fees from government grants for the year ended June 30, 2017 consist of the following:

Dementia Caregiver Support Project	\$373,072
Senior Services	276,490
Coordinated Care	234,732
Geriatrics Workforce Enhancement	<u>62,866</u>
	<u>\$947,160</u>

continued

ALZHEIMER'S GREATER LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

12. Trust Income

ALZGLA receives distributions of income from the Sally Gail Lindsey Trust ("the Trust"). In 2009, upon Ms. Lindsey's death (after many years of volunteering with what is now ALZGLA), ALZGLA became sole beneficiary of the Trust, and as such is entitled to distributions of income from the Trust as long as ALZGLA remains in existence. The Trust Agreement does not include any provisions for amendments subsequent to Ms. Lindsey's passing, and the Trustee (Key Bank of Cleveland, Ohio) has been instructed to hold and administer the property of the Trust as a single fund for the benefit of ALZGLA, distributing all of the net income of the Trust to ALZGLA in quarterly or more frequent intervals. The market value of the known investments as of June 30, 2017 was \$13,774,159. Distributions received by ALZGLA were \$621,516, for the year ended June 30, 2017.

13. Joint Costs

ALZGLA achieves some of its programmatic goals in the annual walk events that include requests for contributions. The costs of conducting the events during the year ended June 30, 2017, includes joint costs of \$132,897, respectively, that are not directly attributable to either the program or the fund-raising component of the activities. The costs were allocated as follows:

Public awareness	\$107,407
Fundraising	<u>25,490</u>
Total	<u>\$132,897</u>

14. Employee Benefit Plans

ALZGLA maintains a defined contribution retirement plan which covers substantially all employees meeting minimum service requirements. Employees may make voluntary contributions up to 25% of their salaries. ALZGLA makes matching employer contributions of between one and five percent of salary based on employee elections. Employer contributions to the plan were \$139,351 for the year ended June 30, 2017.

ALZGLA also maintains two defined contribution plans which suspended employer contributions as of November 1, 2008.