

ALZHEIMER'S LOS ANGELES



FINANCIAL STATEMENTS

JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Alzheimer's Los Angeles

Report on the Financial Statements

We have audited the accompanying financial statements of Alzheimer's Los Angeles (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2021, 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 Los Angeles as of June 30, 2021, 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

Report on Summarized Comparative Information

We have previously audited Alzheimer's Los Angeles' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2021, on our consideration of Alzheimer's 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 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 Los Angeles' internal control over financial reporting and compliance.

Harrington Group

Pasadena, California
October 19, 2021

ALZHEIMER'S LOS ANGELES

STATEMENT OF FINANCIAL POSITION

June 30, 2021

With comparative totals at June 30, 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 744,624	\$ 1,425,366
Grants receivable - government, state, and federal	380,307	420,823
Grants receivable - other	253,106	304,981
Bequests receivable	-	-
Other receivables	28,575	9,772
Accrued interest	18,524	9,072
Pledges receivable (Note 4)	1,305,000	2,067,500
Investments (Note 5)	5,994,823	3,527,500
Prepaid expenses	165,032	149,297
Land held for investment	5,000	5,000
Property and equipment - net (Note 7)	271,549	253,641
	\$ 9,166,540	\$ 8,172,952
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 128,345	\$ 128,386
Accrued liabilities (Note 8)	642,746	554,898
Deferred grant revenue (Note 2)	133,119	209,981
Note payable (Note 9)	794,468	742,115
	1,698,678	1,635,380
NET ASSETS		
Without donor restrictions	5,057,773	2,838,269
With donor restrictions (Note 11)	2,410,089	3,699,303
	7,467,862	6,537,572
	\$ 9,166,540	\$ 8,172,952

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

ALZHEIMER'S LOS ANGELES

STATEMENT OF ACTIVITIES

For the year ended June 30, 2021

With comparative totals for the year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021</u>	<u>2020</u>
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 2,044,329	\$ 833,356	\$ 2,877,685	\$ 4,424,762
Government grants (Note 12)	1,246,522		1,246,522	858,263
Special events	169,466	607,352	776,818	496,261
Investment income - net (Note 5)	755,799		755,799	178,905
Gifts in kind (Note 2)	688,000		688,000	443,000
Other	32,243		32,243	18,035
Program service and educational workshop fees	12,524		12,524	16,799
(Loss) on disposal of property and equipment	(12,451)		(12,451)	(9,776)
Sales of merchandise, net of direct expenses of \$0 and \$14, respectively	100		100	928
Net assets released from restrictions (Note 11)	2,729,922	(2,729,922)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	<u>7,666,454</u>	<u>(1,289,214)</u>	<u>6,377,240</u>	<u>6,427,177</u>
EXPENSES				
Program services	4,729,074		4,729,074	4,925,916
Supporting services	1,459,991		1,459,991	1,449,638
TOTAL EXPENSES	<u>6,189,065</u>	<u>-</u>	<u>6,189,065</u>	<u>6,375,554</u>
OTHER CHANGES				
Forgiveness of paycheck protection program loan (Note 9)	742,115	-	742,115	-
CHANGE IN NET ASSETS	2,219,504	(1,289,214)	930,290	51,623
NET ASSETS, BEGINNING OF YEAR	<u>2,838,269</u>	<u>3,699,303</u>	<u>6,537,572</u>	<u>6,485,949</u>
NET ASSETS, END OF YEAR	<u>\$ 5,057,773</u>	<u>\$ 2,410,089</u>	<u>\$ 7,467,862</u>	<u>\$ 6,537,572</u>

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

ALZHEIMER'S LOS ANGELES

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

With comparative total for the year ended June 30, 2020

	Program Services					Total Program Services
	Family Education and Services	Professional Training	Public Policy	Public Awareness	Research	
Salaries	\$ 1,369,193	\$ 247,081	\$ 284,409	\$ 334,899	\$ 18,213	\$ 2,253,795
Payroll taxes and employee benefits	331,921	50,826	63,701	115,561	3,728	565,737
Total personnel costs	<u>1,701,114</u>	<u>297,907</u>	<u>348,110</u>	<u>450,460</u>	<u>21,941</u>	<u>2,819,532</u>
Printing and publications	61,296	2,668	456	758,449		822,869
Occupancy, utilities, and insurance	239,347	21,750	28,888	45,861	1,770	337,616
Grants and allocations	226,011	79,489	8,040		75,000	388,540
Conference, conventions, and meetings	1,775	921	5,554	209	3	8,462
Contract labor	72,996	5,723	6,567	7,769	313	93,368
Equipment rental and maintenance	58,906	5,529	11,479	22,085	294	98,293
Telephone	60,742	8,306	9,506	11,569	454	90,577
Depreciation and amortization	33,009	4,256	4,753	5,619	224	47,861
Interest and bank charges						-
Postage and shipping	2,868	9		5,965		8,842
Office and other supplies	2,766	1,160	110	149	5	4,190
Miscellaneous	3,444		37	321		3,802
Taxes and licenses	1,897	240	314	317	13	2,781
Staff recruitment	1,601					1,601
Travel	740					740
TOTAL 2021 FUNCTIONAL EXPENSES	<u>\$ 2,468,512</u>	<u>\$ 427,958</u>	<u>\$ 423,814</u>	<u>\$ 1,308,773</u>	<u>\$ 100,017</u>	<u>\$ 4,729,074</u>
TOTAL 2020 FUNCTIONAL EXPENSES	<u>\$ 2,726,073</u>	<u>\$ 383,777</u>	<u>\$ 418,614</u>	<u>\$ 1,298,196</u>	<u>\$ 99,256</u>	<u>\$ 4,925,916</u>

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

ALZHEIMER'S LOS ANGELES

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

With comparative totals for the year ended June 30, 2020

continued

	<u>Supporting Services</u>		<u>Total Supporting Services</u>	<u>Total Expenses</u>	
	<u>Management and General</u>	<u>Fundraising</u>		<u>2021</u>	<u>2020</u>
Salaries	\$ 214,878	\$ 543,532	\$ 758,410	\$ 3,012,205	\$ 3,356,880
Payroll taxes and employee benefits	46,471	147,941	194,412	760,149	772,350
Total personnel costs	<u>261,349</u>	<u>691,473</u>	<u>952,822</u>	<u>3,772,354</u>	<u>4,129,230</u>
Printing and publications	1,187	46,078	47,265	870,134	738,321
Occupancy, utilities, and insurance	21,106	70,397	91,503	429,119	454,777
Grants and allocations			-	388,540	308,996
Conference, conventions, and meetings	472	161,423	161,895	170,357	111,501
Contract labor	48,324	25,595	73,919	167,287	198,765
Equipment rental and maintenance	13,010	37,677	50,687	148,980	149,766
Telephone	6,702	15,776	22,478	113,055	95,713
Depreciation and amortization	3,472	7,743	11,215	59,076	72,179
Interest and bank charges	1,212	25,216	26,428	26,428	25,579
Postage and shipping	810	12,728	13,538	22,380	24,116
Office and other supplies	3,041	930	3,971	8,161	13,363
Miscellaneous	1,064	1,159	2,223	6,025	3,501
Taxes and licenses	200	759	959	3,740	1,865
Staff recruitment		383	383	1,984	1,682
Travel	287	418	705	1,445	46,200
TOTAL 2021 FUNCTIONAL EXPENSES	<u>\$ 362,236</u>	<u>\$ 1,097,755</u>	<u>\$ 1,459,991</u>	<u>\$ 6,189,065</u>	
TOTAL 2020 FUNCTIONAL EXPENSES	<u>\$ 352,042</u>	<u>\$ 1,097,596</u>	<u>\$ 1,449,638</u>		<u>\$ 6,375,554</u>

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

ALZHEIMER'S LOS ANGELES

STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

With comparative totals for the year ended June 30, 2020

	2021	2020
CASH FLOWS TO OPERATING ACTIVITIES:		
Change in net assets	\$ 930,290	\$ 51,623
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	59,076	72,179
Loss on disposal of real property	12,451	9,776
Forgiveness of paycheck protection program loan	(742,115)	-
(Gain) on investments	(674,077)	(175,564)
(Increase) decrease in operating assets:		
Grants receivable	92,391	(382,009)
Other receivables	(18,803)	2,089
Accrued interest	(9,452)	(3,339)
Bequests receivable	-	69,722
Pledges receivable	762,500	(715,000)
Prepaid expenses	(15,735)	(10,112)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	87,807	73,506
Deferred revenue	(76,862)	191,536
	407,471	(815,593)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	250,000	1,357,128
Purchase of investments	(1,970,976)	(431,769)
Interest and dividend income reinvested	(72,270)	(75,583)
Purchase of property and equipment	(89,435)	(70,097)
Sale of real property	-	110,224
	(1,882,681)	889,903
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from paycheck protection program	794,468	742,115
	794,468	742,115
NET (DECREASE) INCREASE IN CASH	(680,742)	816,425
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,425,366	608,941
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 744,624	\$ 1,425,366

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

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENT

1. Organization

Alzheimer's Los Angeles' ("ALZLA") mission is to improve the lives of local families affected by Alzheimer's and dementia by increasing awareness, delivering effective programs and services, providing compassionate support, advocating for quality care and a cure, and supporting local research. 100% of all money raised stays local, allowing us to provide free care and support to the community we serve in Los Angeles.

Covid-19 Impact

During the covid crisis, ALZLA has responded to calls from many highly distressed caregivers. In the best of times, these family caregivers were coping with the burden of 24-hour-a-day care. With social distancing requirements that increase their isolation, many have suffered from heightened depression, anxiety, and insomnia and they need even more emotional support and education about how to manage their patient's symptoms.

Since mid-March 2020, ALZLA have adapted their service delivery methods. ALZLA is relying on technology to offer support groups, caregiver training, community education, patient activity programs, crisis counseling, and other forms of assistance. ALZLA has effectively transitioned to a remote work model in response to the social distancing requirements. All employees are working from home, and service delivery is now conducted through technologies that allow for the health and safety of the most vulnerable in our community who are more in need of support than ever.

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENT

2. Summary of Significant Accounting Policies, continued

With Donor Restrictions. Net assets are subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

ALZLA 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, 2021. 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 2021 year were nominal: no discounts were recognized on pledges made during the current year ended June 30, 2021.

Accounts Receivable

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

Investments

ALZLA 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.

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENT

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

ALZLA 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 Risk

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

ALZLA maintains its cash balances at American Business 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. ALZLA 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.

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENT

2. Summary of Significant Accounting Policies, continued

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, 2021, ALZLA received \$688,000 of donated services which met the criteria for recognition.

Management estimates that 520 volunteers have donated in excess of 1,903 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

ALZLA 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 ALZLA in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. ALZLA'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 ALZLA'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. ALZLA uses a combination of relative square footage and salary costs to allocate indirect costs.

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENT

2. Summary of Significant Accounting Policies, continued

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.

Revenue and Revenue Recognition

ALZLA recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Consequently, on June 30, 2021, contributions approximating \$109,400, have not been recognized in the accompanying consolidated statement of activities because the condition(s) on which they depend has not yet been met. Of the total conditional contributions, \$109,400, will be met by the end of the fiscal year June 30, 2022.

A portion of ALZLA's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when ALZLA has incurred expenditures in compliance with a specific contract or grant provisions. Amounts received before incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. ALZLA received cost-reimbursable grants of \$23,718 that have not been recognized on June 30, 2021, because qualifying expenditures have not yet been incurred, with an advance payment of \$23,718 recognized in the statement of financial position as deferred revenue.

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 ALZLA's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENT

2. Summary of Significant Accounting Policies, continued

Subsequent Events

Grant From Hilton Family Foundation

On July 1, 2021, ALZLA received a \$3 million grant from the Hilton Family Foundation. This grant is expected to be utilized over the next five years. The grant letter states that: "This grant, and any interest income earned thereon, will be used to provide general operating support to further ALZLA's mission to improve the lives of local families affected by Alzheimer's and dementia by increasing awareness, delivering effective programs and services, providing compassionate support, and advocating for quality care and a cure".

Management has evaluated subsequent events through October 19, 2021, the date which the financial statements were available for issue. Except as noted above, no other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Liquidity and Availability of Resources

ALZLA defines general expenditures to include expenses from all functional categories and from all funds. ALZLA receives as much as \$1 million of contributions each year that are broadly restricted to family and education services, which include the vast majority of all program expenses. Therefore, significant balances of restricted assets are used to meet current obligations.

As of June 30, 2021, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Financial assets at year ended:

Investments, gross	\$ 5,994,824
Pledges receivable, gross	1,305,000
Cash and cash equivalents	744,624
Other receivables	<u>28,575</u>
Total financial assets	<u>8,073,023</u>
Less amounts not available to be used in operations:	
Pledges with liquidity horizons greater than one year	(967,500)
Net assets with time restrictions – Edlemen Estate (Note 11)	<u>(700,000)</u>
	<u>(1,667,500)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,405,523</u>

continued

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENT

4. 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. The discount is immaterial to the financial statements, therefore, not recorded. Lastly, all pledges are valued at their estimated fair value at June 30, 2021. Total amount of pledges receivable at June 30, 2021, of \$1,305,000 is expected to be collected as follows:

<u>Year ending June 30,</u>	
2022	\$ 337,500
2023	512,500
2024	450,000
2025	<u>5,000</u>
Pledges receivable, net at June 30, 2021	<u>\$1,305,000</u>
Pledges receivable	
With donor restrictions to programs and services	<u>\$570,000</u>
Without donor restrictions	<u>\$735,000</u>

5. Investments

Investments at June 30, 2021 consist of the following:

Cash and Money Market	\$ 32,672
Fixed income	
Corporate bonds	1,866,005
U.S. Treasuries	926,035
CMO and asset backed securities	3,741
Equities	2,852,401
Exchange traded funds	241,181
Bond funds	52,528
Other Asset	<u>20,260</u>
Total investments	<u>\$5,994,823</u>

These amounts are not necessarily indicative of the amounts ALZLA could realize in a current market exchange. ALZLA'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.

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENT

5. Investments, continued

The investment returns for the year ended June 30, 2021 consist of the following:

Interest and dividend income	\$ 90,794
Realized gain - net	63,364
Change in value of investments	<u>637,535</u>
	791,693
Investment expenses	<u>(35,894)</u>
Total investment income, net	<u>\$755,799</u>

6. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2021 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income:				
Corporate bonds	\$1,866,005	\$ -	\$ -	\$1,866,005
U.S. Treasuries	926,035			926,035
CMO and asset backed securities	3,741			3,741
Equities	2,852,401			2,852,401
Exchange traded funds	241,181			241,181
Bond funds	52,528			52,528
Other Asset	<u>20,260</u>			<u>20,260</u>
	<u>\$5,962,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,962,151</u>

The fair values of fixed income, equities, and exchange traded funds 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 year ended at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Donated services	<u>\$ -</u>	<u>\$688,000</u>	<u>\$ -</u>	<u>\$688,000</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).

continued

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENT

7. Property and Equipment

Property and equipment at June 30, 2021 consist of the following:

Office equipment	\$ 257,987
Branding, trademarks, and copyrights	232,345
Furniture and fixtures	30,637
Leasehold improvements	<u>13,404</u>
	534,373
Less: accumulated depreciation	<u>(262,823)</u>
	<u>\$ 271,550</u>

Depreciation expense for the year ended June 30, 2021 was \$59,076.

8. Accrued Liabilities

Accrued liabilities at June 30, 2021 consist of the following:

Accrued vacation	\$254,291
Accrued payroll including taxes, & pension	206,163
Accrued Inland Empire sublease deposit	10,050
Accrued credit card expenses	21,115
Accrued rent	109,590
Other	<u>41,537</u>
	<u>\$642,746</u>

9. Note Payable

ALZLA received \$742,115 in Paycheck Protection Program (“PPP”) funding on April 17, 2020. The terms of the funding agreement indicate that in order to qualify for loan forgiveness ALZLA must utilize the proceeds to fund/offset qualifying expenses over a twenty-four-week period. The terms of the agreement specified that ALZLA must repay the principal of the loan back plus interest, which accrues at 1% semi-annually, matures in two years ($\$742,115 \times 1\% = \$7,421$ times 2 years = \$14,842 total interest expense).

ALZLA accounted for the loan funding as a conditional grant under FASB ASC 958-605. Proceeds from the PPP loan for the year ended June 30, 2020 were \$742,115. The use of the loan proceeds met the conditions for forgiveness of the loan, as a result, in February 2021, the PPP loan forgiveness application was approved by the U.S. Small Business Administration (“SBA”).

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENT

9. Note Payable, continued

Second Draw Paycheck Protection Program Loan

ALZLA received \$794,468 in Paycheck Protection Program (“PPP”) funding on February 8, 2021. The terms of the funding agreement indicate that ALZLA must utilize the proceeds to fund/offset qualifying expenses over a twenty-four-week period. The terms of the agreement specify that ALZLA must repay the principal of the loan back plus interest, which accrues at 1% semi-annually, matures in two years (\$794,468 times 1% = \$7,945 times 2 years = \$15,889 total interest expense). The loan (and accrued interest payable) may be forgiven if ALZLA fulfills the loan terms.

10. Commitments and Contract Contingencies

Obligations Under Operating Leases

ALZLA 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>	
2022	\$ 369,450
2023	380,535
2024	406,342
2025	<u>64,040</u>
Total obligations	<u>\$1,220,367</u>

Rent and other operating lease expenses for the year ended June 30, 2021 were \$429,119.

Contracts

ALZLA'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, ALZLA has made no provision for the possible disallowance of program costs on its financial statements.

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENT

11. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2021 consist of the following:

For purpose restrictions:

Family education and services	\$1,308,321
Research	358,494
Professional training	6,882
Computer equipment	3,312
Administration and public awareness	<u>33,080</u>
	1,710,089

Restricted by time:

Assets required to be held until June 30, 2022	<u>700,000</u>
	<u>\$2,410,089</u>

For the year ended June 30, 2021, net assets released from time and purpose restrictions were \$2,729,922.

12. Revenue from Government Agencies

Fees from government grants for the year ended June 30, 2021 consist of the following:

Senior Services	\$ 906,417
Dementia Caregiver Support Project	250,948
Coordinated Care	64,157
Geriatrics Workforce Enhancement	<u>25,000</u>
	<u>\$1,246,522</u>

Senior services revenue consists of federal, county, and city funds that contractually require matching amounts from ALZLA. The breakdown of the \$906,417, including \$235,264 matching amounts that derive from contributions, is as follows:

<u>Agency</u>	<u>Senior Services</u>	<u>Match</u>	<u>Total Costs</u>
City of Los Angeles	\$214,588	\$ 71,815	\$ 286,403
City of Los Angeles Cares Act	134,336		134,336
Administration for Community Living	552,493	161,410	713,903
Others	<u>5,000</u>	<u>2,039</u>	<u>7,039</u>
	<u>\$906,417</u>	<u>\$235,264</u>	<u>\$1,141,681</u>

continued

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENT

13. Trust Income

ALZLA receives distributions of income from the Sally Gail Lindsey Trust ("the Trust"). In 2009, upon Ms. Lindsey's death, ALZLA became sole beneficiary of the Trust, and as such is entitled to distributions of income from the Trust as long as ALZLA 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 ALZLA, distributing all of the net income of the Trust to ALZLA in quarterly or more frequent intervals. A total of \$1,044,243 was received by ALZLA for the year ended June 30, 2021.

14. Joint Costs

ALZLA achieves some of its programmatic goals through direct mail and annual awareness events that include requests for contributions. The costs of conducting the events during the year ended June 30, 2021, includes joint costs of \$217,469, 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	\$ 99,019
Fundraising	<u>118,450</u>
Total	<u>\$217,469</u>

15. Employee Benefit Plans

ALZLA 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. ALZLA makes matching employer contributions of between one and five percent of salary based on employee elections. Employer contributions to the plan were \$138,557 for the year ended June 30, 2021.

ALZLA also maintains a defined contribution plan which suspended employer contributions as of November 1, 2008.