

LONG ISLAND ALZHEIMER'S FOUNDATION, INC.
FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015
TOGETHER WITH AUDITOR'S REPORT

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NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Long Island Alzheimer's Foundation, Inc.:

We have audited the accompanying financial statements of Long Island Alzheimer's Foundation, Inc. (the "Organization", a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to 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.

NawrockiSmith

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Long Island Alzheimer's Foundation, Inc. as of December 31, 2016, and the changes in its net assets, cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

April 21, 2017
Melville, New York

A handwritten signature in cursive script that reads "Nawrocki Smith LLP".

LONG ISLAND ALZHEIMER'S FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,593,882	\$ 91,167
Accounts and program receivable, net	28,812	23,544
Contributions receivable	10,000	165,000
Grants receivable	8,590	45,801
Prepaid expenses	59,906	14,929
	1,701,190	340,441
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$55,085 and \$730,132	211,844	911,208
SECURITY DEPOSIT	38,767	1,633
	\$ 1,951,801	\$ 1,253,282
 <u>LIABILITIES AND NET ASSETS</u> 		
LIABILITIES:		
Line of credit	\$ -	\$ 13,406
Accounts payable and accrued expenses	117,011	70,496
Deferred revenue	6,597	43,792
	123,608	127,694
 NET ASSETS:		
Unrestricted:		
Board designated - fixed assets	211,844	911,208
Undesignated	1,596,349	194,380
	1,808,193	1,105,588
Total unrestricted	1,808,193	1,105,588
Temporarily restricted	20,000	20,000
	1,828,193	1,125,588
Total net assets	1,828,193	1,125,588
Total liabilities and net assets	\$ 1,951,801	\$ 1,253,282

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

LONG ISLAND ALZHEIMER'S FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	Totals	
			2016	2015
REVENUES AND OTHER SUPPORT:				
Program income	\$ 268,456	\$ -	\$ 268,456	\$ 226,420
Grants	110,245	-	110,245	105,529
Contributions	514,576	-	514,576	606,970
Special events, net of direct costs of \$109,381 and \$55,721, respectively	222,153	-	222,153	218,317
Miscellaneous	673	-	673	15,351
Total revenues	<u>1,116,103</u>	<u>-</u>	<u>1,116,103</u>	<u>1,172,587</u>
EXPENSES:				
Program services	989,078	-	989,078	989,627
Management and general	84,562	-	84,562	78,255
Fundraising	141,270	-	141,270	130,730
Total expenses	<u>1,214,910</u>	<u>-</u>	<u>1,214,910</u>	<u>1,198,612</u>
GAIN ON SALE OF BUILDING				
Change in net assets	801,412	-	801,412	-
NET ASSETS, BEGINNING OF YEAR				
	702,605	-	702,605	(26,025)
NET ASSETS, BEGINNING OF YEAR	<u>1,105,588</u>	<u>20,000</u>	<u>1,125,588</u>	<u>1,151,613</u>
NET ASSETS, END OF YEAR	<u>\$ 1,808,193</u>	<u>\$ 20,000</u>	<u>\$ 1,828,193</u>	<u>\$ 1,125,588</u>

The accompanying notes to financial statements are an integral part of this statement.

LONG ISLAND ALZHEIMER'S FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 702,605	\$ (26,025)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	47,583	48,164
Gain on sale of building	(801,412)	-
(Increase) decrease in accounts and program receivable	(5,268)	90,356
(Increase) decrease in grants receivable	37,211	(45,801)
(Increase) decrease in contributions receivable	155,000	(165,000)
Increase in other assets	(37,134)	-
Increase in prepaid expenses	(44,977)	(11,621)
Increase (decrease) in accounts payable and accrued expenses	46,515	(12,445)
Increase (decrease) in deferred revenue	(37,195)	43,792
	<u>62,928</u>	<u>(78,580)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of building	1,593,444	-
Purchase of property and equipment	(140,251)	(28,377)
	<u>1,453,193</u>	<u>(28,377)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on line of credit	(13,406)	(14,598)
	<u>(13,406)</u>	<u>(14,598)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,502,715	(121,555)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	91,167	212,722
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,593,882</u>	<u>\$ 91,167</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 463</u>	<u>\$ 838</u>
Retirement of fully depreciated fixed assets	<u>\$ 232,399</u>	<u>\$ -</u>

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

LONG ISLAND ALZHEIMER'S FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Summarized Totals for 2015)

	Program Services	Support Services		Totals	
		Management and General	Fundraising	2016	2015
Payroll	\$ 560,935	\$ 47,957	\$ 80,118	\$ 689,010	\$ 688,139
Medical insurance	59,249	5,065	8,462	72,776	82,939
Payroll taxes	55,712	4,763	7,957	68,432	62,209
Program expenses	47,897	4,095	6,841	58,833	74,343
Professional fees	42,946	3,672	6,134	52,752	12,189
Office operating and administrative	39,844	3,407	5,691	48,942	54,905
Depreciation	38,738	3,312	5,533	47,583	48,164
Occupancy	37,673	3,221	5,381	46,275	60,990
Insurance	30,339	2,594	4,333	37,266	38,448
Computer	20,876	1,784	2,982	25,642	14,175
Transportation	13,403	1,146	1,914	16,463	17,210
Printing	13,211	1,130	1,887	16,228	15,540
Advertising	6,990	598	998	8,586	8,284
Miscellaneous	6,417	548	917	7,882	6,865
Bank charges and interest	6,094	521	871	7,486	6,344
Travel and meetings	3,603	308	515	4,426	1,266
Postage	3,096	265	442	3,803	3,070
Dues and subscriptions	2,055	176	294	2,525	3,532
Total expenses	\$ 989,078	\$ 84,562	\$ 141,270	\$ 1,214,910	\$ 1,198,612

The accompanying notes to financial statements are an integral part of this statement.

LONG ISLAND ALZHEIMER'S FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

(1) Nature of operations

Founded in 1988, Long Island Alzheimer's Foundation, Inc. (the "Organization") provides innovative support services for individuals with Alzheimer's disease and related dementias and their family caregivers in Nassau, Suffolk and Queens. The Organization's services include social adult day care programs, support groups for diagnosed individuals and caregivers, information and referral services, in-home respite services, brain fitness programs and Alzheimer's awareness, education and training. The Organization receives a significant portion of its support from private contributions, grants and fundraising events.

The Organization had previously entered into an agreement with Alzheimer's Foundation of America, Inc. ("AFA") to become a subsidiary. In October 2015, Long Island Alzheimer's Foundation and AFA mutually agreed to terminate the agreement.

(2) Summary of significant accounting policies:

The accompanying financial statements include the assets, liabilities, revenues and expenses of the Organization which are presented under the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The following is a summary of significant accounting policies followed by the Organization.

Financial statement presentation -

The accompanying financial statements include the accounts of the Organization's programs, administration and fundraising. U.S. generally accepted accounting principles require that the Organization's financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets and changes in net assets. The Organization's net assets consist of the following:

Unrestricted - net assets of the Organization which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the Organization.

Temporarily restricted - net assets of the Organization which have been limited by donor-imposed stipulations or by law that either expire with the passage of time or can be fulfilled and removed by the actions of the Organization pursuant to those stipulations.

As of December 31, 2016 and 2015, the Organization does not possess any permanently restricted net assets.

As required by U.S. generally accepted accounting principles, the Organization has also presented Statements of Cash Flows for the years ended December 31, 2016 and 2015.

Revenue and expense recognition -

Contributions are recognized as income when received and are considered to be available for unrestricted use unless specifically restricted by the donor. Revenues under contracts for service are generally recognized as earned. Deferred revenue arises from payments received prior to revenue recognition. Expenses are recognized when incurred. The Organization allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with specific program and support services are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated by various rational bases.

Cash and cash equivalents -

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts receivable -

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts. As of December 31, 2016 and 2015, the allowance for doubtful accounts was \$9,500 and \$23,500, respectively.

Contributions receivable -

Unconditional contributions are recognized as support in the period pledged. Conditional promises are recognized when the conditions on which they depend are substantially met. The Organization considers contributions receivable past due or delinquent when payments have not been received in a timely manner. Receivables are written off when management deems the possibility of collecting amounts due as completely unlikely.

Property and equipment -

Property and equipment are recorded at cost, net of accumulated depreciation. Any donated assets are capitalized at fair market value. Expenditures for maintenance and repairs which do not add to the economic life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives (generally three to thirty-nine years).

Impairment of long-lived assets and long lived assets to be disposed of -

The Organization follows the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") on accounting for the impairment or disposal of long-lived assets. It requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. These provisions did not have an impact on the Organization's financial position, results of activities or liquidity during the years ended December 31, 2016 and 2015.

Donated services -

A number of volunteers have donated significant amounts of their time in the Organization's program services, administration and fundraising campaigns. However, since these services do not meet the criteria for recognition under U.S. generally accepted accounting principles, they are not reflected in the accompanying financial statements.

Fair value of financial instruments -

U.S. generally accepted accounting principles define the fair value of a financial instrument as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where applicable, fair values are determined by reference to quoted market prices and other relevant information generated by market transactions.

U.S. generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Income taxes -

The Organization qualifies as a tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and applicable New York State tax laws. Accordingly, no provision for federal or state income taxes is required.

Accounting for uncertainty in income taxes -

The Organization does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits. For the year ended December 31, 2016, there were no interest or penalties recorded or included in its financial statements. Returns filed for tax years ended or after December 31, 2013, are subject to examination by Federal and State authorities.

Summarized comparative information -

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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

The use of estimates in the preparation of financial statements -

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Estimates include accounts receivable valuation allowances, depreciation and certain accrued expenses. Actual results may differ from those estimates.

(3) Contributions receivable

As of December 31, 2016 and 2015, the Organization had outstanding contributions receivable scheduled for payment as follows:

	<u>2016</u>	<u>2015</u>
Individuals	\$ 10,000	\$ 15,000
Foundations	-	150,000
	<u>\$ 10,000</u>	<u>\$ 165,000</u>

During 2015, the Organization received an unconditional pledge to donate a house from an individual donor. As such, the Organization recorded a contribution receivable in the amount of \$100,000 for the estimated proceeds the Organization would realize from the sale of the house. In March 2016, the house was sold to a developer and the Organization received proceeds of \$98,108.

(4) Property and equipment

Property and equipment consist of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ -	\$ 150,000
Construction-in-progress	140,251	-
Land improvements	-	28,093
Building and building improvements	-	1,109,478
Furniture, fixtures and equipment	28,377	255,468
Transportation equipment	98,301	98,301
	266,929	1,641,340
Less: accumulated depreciation	<u>(55,085)</u>	<u>(730,132)</u>
	<u>\$ 211,844</u>	<u>\$ 911,208</u>

On December 19, 2016, the Organization received \$1,593,444 from the sale of their building in Port Washington, New York. Included with the sale were certain furniture and fixtures. The Organization recognized a gain resulting from the sale of \$801,412, as reflected on the Statement of Activities and Changes in Net Assets.

(5) Line of credit -

The Organization has a revolving line of credit agreement with a bank, which was originally established in 2005 in order to support short-term cash flow needs. The agreement stipulates a maximum loan amount of \$50,000 with an interest rate of one-half percent above the current prime rate of 3.75% and 3.50% as of December 31, 2016 and 2015, respectively. During the year ended December 31, 2016, the Organization paid off \$13,406 in borrowings that were outstanding under this line as of December 31, 2015. As of December 31, 2016 the Organization did not have an outstanding balance on the line of credit.

(6) Temporarily restricted net assets

During 2010, the Organization received a donation of \$20,000 from the Long Island Real Estate Group Foundation. The use of the donation is restricted for building improvements to update the Organization's restroom facilities to be compliant, with the Americans with Disabilities Act ("ADA"). The Organization plans to expend the donation in the upcoming year at their new location.

(7) Concentrations of credit risk:

Cash concentration -

The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents.

(8) Commitment and contingencies:

Government grants and contracts -

The Organization receives a portion of its funding from contracts and grants which are subject to audit by government agencies. Such audits may result in disallowances and a request for a return of funds. In addition, numerous contracts are funded on a cost reimbursement basis. Delays in receiving related funding may result in increased borrowings and related interest costs on the part of the Organization. It is the opinion of management that the effect of disallowances, if any, would be immaterial to the Organization's financial position.

Operating leases -

The Organization is obligated under an operating lease for certain equipment which expires on December 31, 2020. During 2017, the Organization entered into a lease for new office facilities, which expires on February 29, 2028.

Future minimum payments under these operating leases are as follows:

	Year-Ending <u>December 31,</u>		
	2017	\$	234,794
	2018		234,794
	2019		234,794
	2020		240,364
	2021		235,228
	Thereafter		<u>1,567,196</u>
Total		\$	<u><u>2,747,170</u></u>

(9) Subsequent events

The Organization has evaluated subsequent events through April 21, 2017, which is the date these financial statements were available to be issued noting the following matter requiring financial statement disclosure:

In March 2017, the Organization entered into an agreement with Catholic Health Services of Long Island, Inc. ("CHS"). CHS will pay the Organization a monthly fee of \$33,333 from March 1, 2017 to December 1, 2017 for services provided for their adult social day care center. From December 1, 2017 to February 28, 2018, CHS will pay the Organization \$101 per service unit.