

LONG ISLAND ALZHEIMER'S FOUNDATION, INC.
FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017
TOGETHER WITH AUDITOR'S REPORT

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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 statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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, 2018 and 2017, and the changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 3 to the financial statements, in 2018 the Organization adopted new accounting guidance, Accounting Standards Update ("ASU") 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The effect of ASU 2016-14 requires the Organization to apply the changes discussed in Note 3 to the financial statements retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

July 3, 2019
Melville, New York

Nawrocki Smith LLP

LONG ISLAND ALZHEIMER'S FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 684,832	\$ 859,592
Accounts and program receivable, net	111,837	70,670
Investments	908,160	693,964
Contributions receivable	33,941	-
Grants receivable	37,659	20,573
Prepaid expenses	15,897	12,772
Total current assets	1,792,326	1,657,571
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$108,947 and \$89,829, respectively	323,006	341,155
SECURITY DEPOSIT	38,767	38,767
Total assets	\$ 2,154,099	\$ 2,037,493
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 117,348	\$ 87,765
Total current liabilities	117,348	87,765
DEFERRED RENT PAYABLE	85,699	42,524
Total liabilities	203,047	130,289
NET ASSETS:		
Net assets without donor restrictions:		
Designated for fixed assets	323,006	341,155
Undesignated	1,318,535	1,380,889
Total net assets without donor restrictions	1,641,541	1,722,044
Net assets with donor restrictions	309,511	185,160
Total net assets	1,951,052	1,907,204
Total liabilities and net assets	\$ 2,154,099	\$ 2,037,493

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

LONG ISLAND ALZHEIMER'S FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES:						
Program income	\$ 671,738	\$ -	\$ 671,738	\$ 526,855	\$ -	\$ 526,855
Grants	216,565	250,000	466,565	302,329	185,160	487,489
Contributions	272,132	-	272,132	265,100	-	265,100
Special events, net of direct costs of \$141,938 and \$121,454, respectively	342,952	-	342,952	263,244	-	263,244
Rental income	4,500	-	4,500	-	-	-
Miscellaneous	5,976	-	5,976	4,301	-	4,301
Net assets released from restrictions	125,649	(125,649)	-	20,000	(20,000)	-
Total revenues	1,639,512	124,351	1,763,863	1,381,829	165,160	1,546,989
EXPENSES:						
Program services	1,323,383	-	1,323,383	1,212,700	-	1,212,700
Administration	141,828	-	141,828	103,680	-	103,680
Fundraising	230,039	-	230,039	173,213	-	173,213
Total expenses	1,695,250	-	1,695,250	1,489,593	-	1,489,593
Excess (deficiency) of revenues over (under) expenses	(55,738)	124,351	68,613	(107,764)	165,160	57,396
NON-OPERATING ITEMS:						
Investment income, net	2,076	-	2,076	7,857	-	7,857
Unrealized gain (loss)	(7,206)	-	(7,206)	13,758	-	13,758
Loss on disposal of fixed asset	(19,635)	-	(19,635)	-	-	-
Change in net assets	(80,503)	124,351	43,848	(86,149)	165,160	79,011
NET ASSETS, BEGINNING OF YEAR	1,722,044	185,160	1,907,204	1,808,193	20,000	1,828,193
NET ASSETS, END OF YEAR	\$ 1,641,541	\$ 309,511	\$ 1,951,052	\$ 1,722,044	\$ 185,160	\$ 1,907,204

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

LONG ISLAND ALZHEIMER'S FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018				2017			
	Program Services	Support Services		Total	Program Services	Support Services		Total
		Administration	Fundraising			Administration	Fundraising	
Payroll	\$ 684,633	\$ 94,384	\$ 129,783	\$ 908,800	\$ 741,265	\$ 63,375	\$ 105,875	\$ 910,515
Occupancy	226,419	11,840	17,579	255,838	106,630	9,116	15,230	130,976
Fringe benefits	77,250	10,650	14,644	102,544	73,181	6,257	10,452	89,890
Payroll taxes	61,055	5,746	17,769	84,570	63,661	5,443	9,093	78,197
Program expenses	71,981	-	-	71,981	59,169	5,059	8,451	72,679
Professional fees	38,571	5,317	7,312	51,200	13,492	1,153	1,927	16,572
Depreciation	36,606	3,445	10,653	50,704	28,286	2,418	4,040	34,744
Computer	29,701	2,795	8,644	41,140	18,403	1,573	2,629	22,605
Office operating and administrative	25,774	2,426	7,501	35,701	28,748	2,458	4,106	35,312
Insurance	21,629	2,036	6,295	29,960	35,277	3,016	5,039	43,332
Bank charges and interest	14,034	1,321	4,084	19,439	6,824	584	976	-
Transportation	15,885	-	-	15,885	14,427	1,234	2,061	17,722
Dues and subscriptions	4,853	457	1,412	6,722	3,437	294	491	4,222
Travel and meetings	4,006	377	1,166	5,549	4,459	381	637	5,477
Advertising	2,943	277	857	4,077	2,889	247	413	3,549
Printing	2,496	235	726	3,457	10,236	875	1,462	12,573
Miscellaneous	5,547	522	1,614	7,683	2,316	197	331	2,844
Total expenses	\$ 1,323,383	\$ 141,828	\$ 230,039	\$ 1,695,250	\$ 1,212,700	\$ 103,680	\$ 173,213	\$ 1,489,593

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

LONG ISLAND ALZHEIMER'S FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 43,848	\$ 79,011
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	50,704	34,744
Loss on disposal of fixed asset	19,635	-
Unrealized loss (gain)	7,206	(13,758)
Increase in accounts and program receivable	(41,167)	(41,858)
(Increase) decrease in contributions receivable	(33,941)	10,000
Increase in grants receivable	(17,086)	(11,983)
(Increase) decrease in prepaid expenses	(3,125)	47,134
Increase (decrease) in accounts payable and accrued expenses	29,583	(29,246)
Decrease in deferred revenue	-	(6,597)
Increase in deferred rent payable	43,175	42,524
Net cash provided by operating activities	<u>98,832</u>	<u>109,971</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments, net of sales and reinvested income	(221,401)	(680,206)
Purchases of property and equipment	<u>(52,191)</u>	<u>(164,055)</u>
Net cash used by investing activities	<u>(273,592)</u>	<u>(844,261)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(174,760)	(734,290)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>859,592</u>	<u>1,593,882</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 684,832</u>	<u>\$ 859,592</u>

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

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.

(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. The Organization presents its financial statements in accordance with U.S. generally accepted accounting principles which require that the Organization's financial statements distinguish between those with and without donor restricted net assets and changes in net assets. The Organization's net assets consist of the following:

Without donor restrictions - 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.

With donor restrictions - net assets subject to donor-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.

As required by U.S. generally accepted accounting principles, the Organization has also presented Statements of Cash Flows for the years ended December 31, 2018 and 2017.

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.

Functional allocation of expenses -

The Statements of Functional Expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Direct program expenses are reported in their respective functional categories. The significant expenses that are allocated include: payroll, occupancy, medical insurance and payroll taxes which are allocated on the basis of estimates of time and effort. All other expenses are allocated based on a systematic and rational basis.

Cash and cash equivalents -

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

Liquidity considerations -

Quantitative

As of December 31, 2018 and 2017, Long Island Alzheimer's Foundation, Inc. has \$1,792,326 and \$1,657,571 respectively, of financial assets available to meet cash needs for program and supporting services expenditures within one year of the Statements of Financial Position date, which consist of the current assets of the Organization.

Qualitative

As of December 31, 2018, the Long Island Alzheimer's Foundation, Inc. has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are approximately \$280,000.

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, 2018 and 2017, the allowance for doubtful accounts was \$9,500.

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.

Investments -

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the Statements of Financial Position, and changes in fair value are reported in the Statements of Activities and Changes in Net Assets.

Property and equipment -

The Organization capitalizes purchases greater than \$5,000 provided their useful life is greater than one year. 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 ten 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, 2018 and 2017.

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 ("U.S. GAAP"), they are not reflected in the accompanying financial statements.

Fair value of financial instruments -

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. generally accepted accounting principles establish a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value.

These levels are:

- | | |
|---------|---|
| Level 1 | Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date. |
| Level 2 | Other observable inputs, either directly or indirectly, including: <ul style="list-style-type: none">• Quoted prices for similar assets/liabilities in active markets;• Quoted prices for identical or similar assets in non-active markets• Inputs other than quoted prices that are observable for the asset/liability; and• Inputs that are derived principally from or corroborated by other observable market data. |
| Level 3 | Unobservable inputs that cannot be corroborated by observable market data. |

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.

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.

Reclassifications -

Certain amounts have been reclassified for the year ended December 31, 2017 to conform to the presentation for the year ended December 31, 2018. These reclassifications had no impact on previously reported net assets.

(3) New accounting standards

For the fiscal year ended December 31, 2018, the Organization implemented FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The Organization has applied the changes retrospectively to all periods presented. The new standard changes the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions;
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions;
- The Statement of Functional Expenses has been presented as a primary operating statement.
- The financial statements include a disclosure about liquidity and availability of resources.

(4) Fair value of investments

The following methods and assumptions were used by the Organization in addressing the fair value of financial instruments:

Mutual funds, exchange-traded funds and common stock are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied. Fixed income and bonds are categorized as Level 2 and can be indirectly determined based on fair value or market prices.

The following table represents the Organization's fair value hierarchy for investments at fair value as of December 31, 2018:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 430,950	\$ 430,950	\$ -	\$ -
ETFs	188,590	188,590	-	-
Common stock	93,392	93,392	-	-
Fixed income	190,047	-	190,047	-
Bonds	5,181	-	5,181	-
	<u>\$ 908,160</u>	<u>\$ 712,932</u>	<u>\$ 195,228</u>	<u>\$ -</u>

The following table represents the Organization's fair value hierarchy for investments at fair value as of December 31, 2017:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 368,369	\$ 368,369	\$ -	\$ -
ETFs	253,313	253,313	-	-
Common stock	59,250	59,250	-	-
Bonds	13,032	-	13,032	-
	<u>\$ 693,964</u>	<u>\$ 680,932</u>	<u>\$ 13,032</u>	<u>\$ -</u>

(5) **Property and equipment**

Property and equipment consist of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 194,048	\$ 194,048
Furniture, fixtures and equipment	141,740	138,635
Transportation equipment	<u>96,165</u>	<u>98,301</u>
	431,953	430,984
Less: accumulated depreciation	<u>(108,947)</u>	<u>(89,829)</u>
	<u>\$ 323,006</u>	<u>\$ 341,155</u>

For the years ended December 31, 2018 and 2017, depreciation expense totaled \$50,705 and \$34,744, respectively.

(6) **Net assets with donor restrictions**

Net assets with donor restrictions are available for, or relate to the following purposes:

	<u>2018</u>	<u>2017</u>
Weekend dropoff program	\$ 109,942	\$ 125,160
Purchase of new bus	5,031	60,000
Hardship fund	<u>194,538</u>	<u>-</u>
	<u>\$ 309,511</u>	<u>\$ 185,160</u>

(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) **Commitments 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 2016, the Organization entered into a lease for new office facilities, which expires on September 1, 2028. Total rent expense incurred under operating leases totaled \$228,847 and \$98,246 for the years ended December 31, 2018 and 2017, respectively.

Future minimum payments under these operating leases are as follows:

<u>Year-Ending</u> <u>December 31,</u>			
2019	\$	243,367	
2020		243,367	
2021		231,379	
2022		231,379	
2023		231,379	
Thereafter		<u>848,390</u>	
Total	\$	<u><u>2,029,261</u></u>	

Deferred rent is based on the excess of rent expense on a straight-line basis over the payments required by the lease and is reported on the Statements of Financial Position. As of December 31, 2018, the deferred rent liability balance was \$85,699.

(9) Subsequent events

The Organization has evaluated subsequent events through July 3, 2019, which is the date these financial statements were available to be issued noting no matters requiring financial statement disclosure.