

**ALZHEIMERS NORTH CAROLINA, INC.**

Financial Statements

Years Ended June 30, 2017 and 2016



**Rives & Associates, LLP**  
Certified Public Accountants and Consultants

**ALZHEIMERS NORTH CAROLINA, INC.**  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Alzheimers North Carolina, Inc.  
Raleigh, North Carolina

We have audited the accompanying financial statements of Alzheimers North Carolina, Inc., a nonprofit organization (the Organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities 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. 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alzheimers North Carolina, Inc. 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.

**Other Matters**

The financial statements of Alzheimers North Carolina, Inc. as of June 30, 2016, were audited by other auditors whose report dated February 6, 2017, expressed an unmodified opinion on those statements.

*Rivers & Associates LLP*

Raleigh, North Carolina  
January 8, 2018

**ALZHEIMERS NORTH CAROLINA, INC.**  
**Statements of Financial Position**  
**June 30, 2017 and 2016**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
Current assets:		
Cash and cash equivalents	\$ 543,709	\$ 525,545
Accounts receivable	24,624	18,977
Inventory	3,142	3,142
Prepaid expenses	3,100	12,162
	<hr/>	<hr/>
Total current assets	574,575	559,826
	<hr/>	<hr/>
Property and equipment, net	1,055	2,281
	<hr/>	<hr/>
Non-current assets:		
Other assets	4,500	4,500
Deposits	3,835	-
	<hr/>	<hr/>
Total non-current assets	8,335	4,500
	<hr/>	<hr/>
Total assets	<u>\$ 583,965</u>	<u>\$ 566,607</u>
	<hr/>	<hr/>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 19,939	\$ 27,811
Accrued payroll	13,857	-
Accrued vacation	12,247	12,339
	<hr/>	<hr/>
Total current liabilities	46,043	40,150
	<hr/>	<hr/>
Net assets:		
Unrestricted	18,479	65,209
Temporarily restricted	519,443	461,248
	<hr/>	<hr/>
Total net assets	537,922	526,457
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 583,965</u>	<u>\$ 566,607</u>
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The accompanying notes are an integral part of these financial statements

**ALZHEIMERS NORTH CAROLINA, INC.**

**Statement of Activities  
Year Ended June 30, 2017  
(With Comparative Totals for 2016)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>2016 Total</u>
<b>Public support and revenue</b>				
Public Support:				
Contributions, memorials and bequests	\$ 143,340	\$ 88,944	\$ 232,284	\$ 436,127
Fundraising events revenue	389,424	-	389,424	405,366
Less: direct fundraising expenses	(84,124)	-	(84,124)	(36,336)
Project CARE grant	-	84,304	84,304	81,504
Total public support	<u>448,640</u>	<u>173,248</u>	<u>621,888</u>	<u>886,661</u>
Revenue:				
Program services	29,415	-	29,415	17,670
Sales, gross	10,034	-	10,034	19,209
Investment income	243	-	243	4,699
Other income	-	-	-	905
Total revenue	<u>39,692</u>	<u>-</u>	<u>39,692</u>	<u>42,483</u>
Net assets released from restrictions	<u>115,053</u>	<u>(115,053)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>603,385</u>	<u>58,195</u>	<u>661,580</u>	<u>929,144</u>
<b>EXPENSES:</b>				
Program services				
Patient and family services	211,839	-	211,839	341,430
Public awareness and education	180,413	-	180,413	264,744
Public policy	7,032	-	7,032	3,442
Research	13,728	-	13,728	8,864
Total program services	<u>413,012</u>	<u>-</u>	<u>413,012</u>	<u>618,480</u>
Supporting services:				
Management and general	162,084	-	162,084	137,611
Fundraising	75,019	-	75,019	79,670
Total supporting services	<u>237,103</u>	<u>-</u>	<u>237,103</u>	<u>217,281</u>
Total expenses	<u>650,115</u>	<u>-</u>	<u>650,115</u>	<u>835,761</u>
Change in net assets	(46,730)	58,195	11,465	93,383
Net assets at beginning of year	<u>65,209</u>	<u>461,248</u>	<u>526,457</u>	<u>433,074</u>
Net assets at end of year	<u>\$ 18,479</u>	<u>\$ 519,443</u>	<u>\$ 537,922</u>	<u>\$ 526,457</u>

The accompanying notes are an integral part of these financial statements

**ALZHEIMERS NORTH CAROLINA, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2017**  
**(With Comparative Totals for 2016)**

	2017					2016				
	Program Services					Supporting Services				
	Patient and Family Services	Public Awareness and Education	Public Policy	Respite Services	Total	Management and General	Fundraising	Total	Grand Total	Grand Total
Compensation, taxes and benefits	\$ 136,401	\$ 122,995	\$ 4,930	\$ 9,626	\$ 273,952	\$ 113,648	\$ 49,058	\$ 162,706	\$ 436,658	\$ 550,442
Professional fees	5,449	4,912	197	384	10,942	4,539	1,959	6,498	17,440	21,697
Office supplies	2,108	1,901	76	149	4,234	1,756	758	2,514	6,748	6,538
Telephone and internet	3,772	3,401	136	266	7,575	3,143	1,357	4,500	12,075	17,521
Postage and shipping	1,056	951	38	74	2,119	879	379	1,258	3,377	5,272
Occupancy	23,729	21,396	858	1,674	47,657	19,770	8,534	28,304	75,961	84,387
Insurance	2,136	1,926	77	151	4,290	1,780	768	2,548	6,838	8,304
Grants and contributions to others	17,303	5,000	-	-	22,303	-	-	-	22,303	44,196
Equipment rental and maintenance	5,059	4,562	183	357	10,161	4,215	1,820	6,035	16,196	15,021
Printing and publications	1,242	1,121	45	88	2,496	1,036	447	1,483	3,979	7,813
Education products and services	53	48	2	4	107	45	19	64	171	671
Travel	7,818	7,050	283	552	15,703	6,514	2,812	9,326	25,029	28,851
Conferences and meetings	2,923	2,635	106	206	5,870	2,435	1,051	3,486	9,356	11,448
Depreciation and amortization	383	345	14	27	769	319	138	457	1,226	5,376
Fundraising events indirect expense	-	-	-	-	-	-	5,053	5,053	5,053	21,618
Miscellaneous	2,407	2,170	87	170	4,834	2,005	866	2,871	7,705	6,606
<b>Total expenses</b>	<b>\$ 211,839</b>	<b>\$ 180,413</b>	<b>\$ 7,032</b>	<b>\$ 13,728</b>	<b>\$ 413,012</b>	<b>\$ 162,084</b>	<b>\$ 75,019</b>	<b>\$ 237,103</b>	<b>\$ 650,115</b>	<b>\$ 835,761</b>

The accompanying notes are an integral part of these financial statements

**ALZHEIMERS NORTH CAROLINA, INC.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 11,465	\$ 93,383
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Depreciation expense	1,226	5,376
In-kind property donation	-	(4,500)
Unrealized gain on investments	-	18,199
Realized gain on investments	-	(21,564)
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(5,647)	(10,647)
Inventory	-	(730)
Prepaid expenses	9,062	(7,320)
Deposits	(3,835)	-
Accounts payable	(7,872)	(10,099)
Accrued payroll	13,857	-
Accrued vacation	(92)	(17,977)
Net cash provided (used) by operating activities	18,164	44,121
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	-	(1,105)
Proceeds from sale of investments	-	48,397
Purchases of equipment, net of proceeds from sales	-	(1,638)
Net cash provided (used) by investing activities	-	45,654
Net increase (decrease) in cash and cash equivalents	18,164	89,775
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>525,545</b>	<b>435,770</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 543,709</b>	<b>\$ 525,545</b>
Supplemental information		
In-kind property donation	\$ -	\$ 4,500

The accompanying notes are an integral part of these financial statements



**ALZHEIMERS NORTH CAROLINA, INC.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of the Organization

Alzheimers North Carolina, Inc. (the “Organization”) is a voluntary health agency that was incorporated in 1981. The Organization is located in Raleigh, North Carolina and serves the residents within North Carolina. The Organization is dedicated to providing education, support and services to patients, their families, health care professionals and the general public while raising awareness and funding for research of a cause(s), treatment, prevention and cure for Alzheimer's disease and related dementias.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses recognized when incurred. This basis is accounting conforms to accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization has adopted FASB Accounting Standards Codification (ASC) 958-205 and subsections *Financial Statements of Not-for-Profit Organizations*. Under this standard, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. Net assets are as follows:

**Unrestricted** – unrestricted net assets include resources, which are available for the support of the Organization’s operating activities.

**Temporarily Restricted** - Temporarily restricted net assets include resources that have been donated to the Organization subject to restrictions as defined by the donor. These restrictions are met either by the actions of the Organization and/or the passage of time. When the restriction expires as a result of the lapse of time requirement or achievement of the specified purpose stipulated, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets releases from restrictions.

**Permanently Restricted** - Permanently restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity, and invested for the purposes of producing present and future income, which may be expended. Investment earnings on endowments are available for the Organization’s general use.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash in the bank and all cash held on hand to be cash and cash equivalents. The Organization maintains its cash accounts with one financial institution which, at times, may exceed the federally insured limit of \$250,000. The Organization has not experienced any losses in such accounts.

**ALZHEIMERS NORTH CAROLINA, INC.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Inventory

The Organization values its inventory, consisting principally of DVD's, books and brochure supplies, at the lower of cost (first-in, first-out) or market.

Fixed Assets

Purchased and donated furniture, equipment, and vehicles with a cost of \$500 or more with a life expectancy of at least three years are capitalized and are stated at cost and estimated fair market value at date of receipt, respectively, and are depreciated on the straight-line basis over the estimated useful lives of the various assets, which range from three to seven years.

Donated Assets and Services

Donated materials, stock, furniture, equipment and vehicles are recorded at their estimated fair market values at date of receipt. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying Statement of Activities as contributions, memorials and bequests are offset by like amounts included in expenses.

Various other services are performed for the Organization by volunteers. The services are significant and form an integral part of the efforts of the Organization, but these services do not meet the criteria for recognition as contributed services.

Grants and Contributions

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor/grantor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value using a risk adjusted discount rate. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

For the years ended June 30, 2017 and 2016, approximately 0% and 22%, respectively, of total public support and revenue is from a not-for-profit associated with a board member.

**ALZHEIMERS NORTH CAROLINA, INC.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of customers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. Account balances with invoices dated over 90 days old are considered past due. It is the Organization's policy to charge off noncollectible accounts receivable when management determines the receivable will not be collected. There was no allowance for doubtful accounts as of June 30, 2017 and 2016.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Organization providing those services.

Program services – Comprise activities that contribute to the Organization's mission or provides family support, community education, public awareness and supports research for the prevention, cure and treatment of Alzheimer's disease and related disorders.

Supporting services – Includes activities such as management and general services required to ensure an adequate working environment, provide administrative support and manage the Organization's financial and budgetary functions.

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) on its exempt function income and is classified by the IRS as a publicly supported organization. There was no unrelated business income for the years ended June 30, 2017 and 2016.

The Organization evaluates any uncertain tax positions. Accordingly, the Organization's policy is to record a liability for any tax position taken that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2017 or 2016.

Advertising Expense

The Organization uses advertising to promote its programs and fund raising events among the audiences it serves. The cost of advertising is expensed as incurred. The Organization incurred \$585 and \$389 in advertising costs for the years ended June 30, 2017 and 2016, respectively.

**ALZHEIMERS NORTH CAROLINA, INC.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. CONCENTRATION OF CREDIT RISK**

The Organization occasionally maintains deposits in excess of federally insured limits. The Organization maintains its cash balances in reputable financial institutions in the United States of American and accounts at each institution are insured by the Federal Deposit Insurance Corporations up to \$250,000 at each financial institution. FASB ASC 825, *Financial Instruments*, identifies these items as a concentration of credit risk requiring disclosure, regardless of risk. At June 30, 2017 and 2016, the Organization had \$299,682 and \$0 in excess of the FDIC insured limit, respectively.

**3. INVESTMENTS**

Investments income consists of the following:

	2017	2016
Interest and dividends	\$ -	\$ 1,334
Realized gains	-	21,564
Unrealized gains	-	(18,199)
	\$ -	\$ 4,699

**4. RESTRICTION ON NET ASSETS**

Temporarily restricted net assets as of June 30 were available for the following purposes:

	2017	2016
Respite	\$ 38,013	\$ 23,085
Education	27,223	4,878
Research	448,910	433,285
Other	5,297	-
	\$ 519,443	\$ 461,248

**ALZHEIMERS NORTH CAROLINA, INC.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**5. RETIREMENT PLAN**

The Organization sponsors 403 (b) retirement plan covering all eligible employees. The plan is solely funded by employee contributions, pursuant to a salary reduction agreement.

**6. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2017 and 2016:

	2017	2016
Office equipment	\$ 53,694	\$ 53,694
Office furniture	14,330	14,330
Computer equipment	16,277	16,277
Vehicles	-	13,275
Total	84,301	97,576
Less accumulated depreciation	(83,246)	(95,295)
	\$ 1,055	\$ 2,281

Depreciation expense was \$1,226 and \$5,376 for the years ended June 30, 2017 and 2016, respectively.

**7. LEASE COMMITMENTS**

The Organization leases office space in Raleigh, North Carolina under a month to month contract. Rent expense amounted to \$75,059 and \$98,045 for the years ended June 30, 2017 and 2016, respectively. Included in rent expense is \$0 and \$8,458 of in-kind office space for the years ended June 30, 2017 and 2016, respectively.

Subsequent to year end, the Organization entered into a new leasing agreement that was effective August 1, 2017.

Future minimum lease payments under the noncancellable lease is as follows:

Year Ending June 30,	Amount
2018	\$ 38,348
2019	47,167
2020	48,582
2021	50,040
2022	51,541
Thereafter	8,633
Total	\$ 244,311

**ALZHEIMERS NORTH CAROLINA, INC.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**8. LINE OF CREDIT**

As of June 30, 2017, the Organization has available an unsecured revolving line of credit in the amount of \$10,000. Interest accrues at a fixed rate of 17.9%. There was no outstanding balance as June 30, 2017 or 2016.

Subsequent to year end, the organization obtained a new unsecured revolving line of credit in the amount of \$49,900 with a variable interest rate equal to the Prime Rate plus 1%.

**9. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 8, 2018, the date which the financial statements are available to issue.

See Notes 7 and 8 for additional disclosures regarding subsequent events.