

**DEMENTIA ALLIANCE OF NORTH CAROLINA, INC.**

Financial Statements

Years Ended June 30, 2019 and 2018



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

**DEMENTIA ALLIANCE OF NORTH CAROLINA, INC.**  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Dementia Alliance of North Carolina, Inc.  
Raleigh, North Carolina

We have audited the accompanying financial statements of Dementia Alliance of North Carolina, Inc., a nonprofit organization (the "Organization"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, 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.

### Auditors' 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 audits 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 Dementia Alliance of North Carolina, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Prior Period Corrections**

As discussed in Note 13 to the consolidated financial statements, the 2018 financial statements were restated to correct several misstatements. Our opinion is not modified with respect to this matter.

*Rives & Associates LLP*

Raleigh, North Carolina  
November 13, 2019

**DEMENTIA ALLIANCE OF NORTH CAROLINA, INC.**  
**Statements of Financial Position**  
**June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		(As Restated)
Current assets:		
Cash and cash equivalents	\$ 292,778	\$ 710,156
Investments	75,078	-
Accounts receivable	3,130	4,131
Pledges receivable	-	235,847
Inventory	2,593	3,142
Accrued income	19,250	13,512
Prepaid expenses	7,107	3,642
	<hr/>	<hr/>
Total current assets	399,936	970,430
	<hr/>	<hr/>
Property and equipment, net	26,075	19,257
	<hr/>	<hr/>
Non-current assets:		
Investments	428,537	-
Other receivables	35,000	35,000
Other assets	-	4,500
Deposits	3,835	3,835
	<hr/>	<hr/>
Total non-current assets	467,372	43,335
	<hr/>	<hr/>
Total assets	<u>\$ 893,383</u>	<u>\$ 1,033,022</u>
	<hr/>	<hr/>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 19,653	\$ 8,619
Accrued payroll	10,630	12,771
Accrued vacation	14,122	14,424
Deferred rent obligation	9,057	8,938
Deferred lease incentive	14,098	18,548
Deferred revenue	16,877	16,886
	<hr/>	<hr/>
Total current liabilities	84,437	80,186
	<hr/>	<hr/>
Net assets:		
Without donor restrictions	293,829	316,999
With donor restrictions	515,117	635,837
	<hr/>	<hr/>
Total net assets	808,946	952,836
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 893,383</u>	<u>\$ 1,033,022</u>
	<hr/>	<hr/>

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

**DEMENTIA ALLIANCE OF NORTH CAROLINA, INC.**

**Statement of Activities**

**Year Ended June 30, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Public support and revenue</b>			
Public Support:			
Contributions, memorials and bequests	\$ 135,600	\$ 45,045	\$ 180,645
Fundraising events revenue	342,157	-	342,157
Less: direct fundraising expenses	(56,980)	-	(56,980)
Total public support	420,777	45,045	465,822
Revenue:			
Program services	25,210	-	25,210
Sales, gross	6,522	-	6,522
Investment income	11,645	-	11,645
Total revenue	43,377	-	43,377
Net assets released from restrictions	165,765	(165,765)	-
Total public support and revenue	629,919	(120,720)	509,199
<b>EXPENSES:</b>			
Program services			
Patient and family services	118,333	-	118,333
Public awareness and education	135,153	-	135,153
Community Outreach Policy	64,194	-	64,194
Respite services	19,318	-	19,318
Research	111,272	-	111,272
Total program services	448,270	-	448,270
Supporting services:			
Management and general	120,949	-	120,949
Fundraising	83,870	-	83,870
Total supporting services	204,819	-	204,819
Total expenses	653,089	-	653,089
Change in net assets	(23,170)	(120,720)	(143,890)
Net assets at beginning of year	316,999	635,837	952,836
Net assets at end of year	\$ 293,829	\$ 515,117	\$ 808,946

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

**DEMENTIA ALLIANCE OF NORTH CAROLINA, INC.**

**Statement of Activities**

**Year Ended June 30, 2018 (As Restated)**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Public support and revenue</b>			
Public Support:			
Contributions, memorials and bequests	\$ 443,748	\$ 183,245	\$ 626,993
Fundraising events revenue	394,314	-	394,314
Less: direct fundraising expenses	(92,806)	-	(92,806)
Total public support	745,256	183,245	928,501
Revenue:			
Program services	27,984	-	27,984
Sales, gross	10,339	-	10,339
Investment income	350	-	350
Total revenue	38,673	-	38,673
Net assets released from restrictions	66,851	(66,851)	-
Total public support and revenue	850,780	116,394	967,174
<b>EXPENSES:</b>			
Program services			
Patient and family services	94,225	-	94,225
Public awareness and education	162,455	-	162,455
Community Outreach Policy	13,031	-	13,031
Respite services	18,884	-	18,884
Research	-	-	-
Total program services	288,595	-	288,595
Supporting services:			
Management and general	191,523	-	191,523
Fundraising	72,142	-	72,142
Total supporting services	263,665	-	263,665
Total expenses	552,260	-	552,260
Change in net assets	298,520	116,394	414,914
Net assets at beginning of year	18,479	519,443	537,922
Net assets at end of year	\$ 316,999	\$ 635,837	\$ 952,836

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

**DEMENTIA ALLIANCE OF NORTH CAROLINA, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2019**

	<u>Program Services</u>						<u>Supporting Services</u>			<u>Grand Total</u>
	<u>Patient and Family Services</u>	<u>Public Awareness and Education</u>	<u>Community Outreach Policy</u>	<u>Respite Services</u>	<u>Research</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Compensation, taxes and benefits	\$ 57,245	\$ 92,617	\$ 37,720	\$ 13,238	\$ 873	\$ 201,693	\$ 82,884	\$ 55,781	\$ 138,665	\$ 340,358
Direct program expenses	1,000	-	9,150	-	-	10,150	-	-	-	10,150
Professional fees	6,284	10,167	4,141	1,453	96	22,141	9,098	6,122	15,220	37,361
Office supplies	1,270	2,055	837	294	19	4,475	1,839	1,238	3,077	7,552
Telephone and internet	1,080	1,746	711	250	16	3,803	1,562	1,051	2,613	6,416
Postage and shipping	414	670	273	96	6	1,459	600	405	1,005	2,464
Occupancy	7,204	11,656	4,747	1,666	110	25,383	10,431	7,021	17,452	42,835
Insurance	753	1,218	496	174	11	2,652	1,090	733	1,823	4,475
Grants and contributions to others	33,797	-	-	-	110,000	143,797	-	-	-	143,797
Equipment rental and maintenance	2,590	4,191	1,707	599	39	9,126	3,751	2,525	6,276	15,402
Printing and publications	-	-	-	-	-	-	-	-	-	-
Education products and services	415	671	273	96	6	1,461	600	404	1,004	2,465
Travel	1,294	2,094	853	299	20	4,560	1,874	1,261	3,135	7,695
Conferences and meetings	2,211	3,577	1,457	511	34	7,790	3,201	2,153	5,354	13,144
Depreciation	1,104	1,786	727	255	17	3,889	1,598	1,075	2,673	6,562
Fundraising events indirect expense	-	-	-	-	-	-	-	2,472	2,472	2,472
Miscellaneous	1,672	2,705	1,102	387	25	5,891	2,421	1,629	4,050	9,941
Expenses as reported on Statement of Activities	<u>118,333</u>	<u>135,153</u>	<u>64,194</u>	<u>19,318</u>	<u>111,272</u>	<u>448,270</u>	<u>120,949</u>	<u>83,870</u>	<u>204,819</u>	<u>653,089</u>
Direct fundraising expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,980</u>	<u>56,980</u>	<u>56,980</u>
Total expenses	<u>\$ 118,333</u>	<u>\$ 135,153</u>	<u>\$ 64,194</u>	<u>\$ 19,318</u>	<u>\$ 111,272</u>	<u>\$ 448,270</u>	<u>\$ 120,949</u>	<u>\$ 140,850</u>	<u>\$ 261,799</u>	<u>\$ 710,069</u>

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



**DEMENTIA ALLIANCE OF NORTH CAROLINA, INC.**

**Statement of Functional Expenses**

**Year Ended June 30, 2018 (As Restated)**

	<b>Program Services</b>					<b>Supporting Services</b>			<b>Grand Total</b>	
	<b>Patient and Family Services</b>	<b>Public Awareness and Education</b>	<b>Community Outreach Policy</b>	<b>Respite Services</b>	<b>Research</b>	<b>Total</b>	<b>Management and General</b>	<b>Fundraising</b>		<b>Total</b>
Compensation, taxes and benefits	\$ 42,072	\$ 104,143	\$ 8,902	\$ 12,899	\$ -	\$ 168,016	\$ 130,826	\$ 47,729	\$ 178,555	\$ 346,571
Direct program expenses	-	-	-	-	-	-	-	-	-	-
Professional fees	1,379	3,414	292	423	-	5,508	4,288	1,564	5,852	11,360
Office supplies	1,014	2,509	214	311	-	4,048	3,152	1,150	4,302	8,350
Telephone and internet	664	1,642	140	203	-	2,649	2,063	752	2,815	5,464
Postage and shipping	339	840	72	104	-	1,355	1,055	385	1,440	2,795
Occupancy	5,670	14,033	1,199	1,738	-	22,640	17,629	6,432	24,061	46,701
Insurance	483	1,194	102	148	-	1,927	1,501	547	2,048	3,975
Grants and contributions to others	32,644	10,000	-	-	-	42,644	-	-	-	42,644
Equipment rental and maintenance	1,685	4,170	356	517	-	6,728	5,238	1,911	7,149	13,877
Printing and publications	513	1,269	108	157	-	2,047	1,595	582	2,177	4,224
Education products and services	2	3	-	-	-	5	4	2	6	11
Travel	989	2,447	209	303	-	3,948	3,073	1,121	4,194	8,142
Conferences and meetings	1,282	3,172	271	393	-	5,118	3,985	1,473	5,458	10,576
Depreciation	569	1,442	125	180	-	2,316	1,817	665	2,482	4,798
Fundraising events indirect expense	-	-	-	-	-	-	-	2,248	2,248	2,248
Miscellaneous	4,920	12,177	1,041	1,508	-	19,646	15,297	5,581	20,878	40,524
Expenses as reported on Statement of Activities	94,225	162,455	13,031	18,884	-	288,595	191,523	72,142	263,665	552,260
Direct fundraising expenses	-	-	-	-	-	-	-	92,806	92,806	92,806
<b>Total expenses</b>	<b>\$ 94,225</b>	<b>\$ 162,455</b>	<b>\$ 13,031</b>	<b>\$ 18,884</b>	<b>\$ -</b>	<b>\$ 288,595</b>	<b>\$ 191,523</b>	<b>\$ 164,948</b>	<b>\$ 356,471</b>	<b>\$ 645,066</b>

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

**DEMENTIA ALLIANCE OF NORTH CAROLINA, INC.**

**Statements of Cash Flows**

**Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
		(As Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (143,890)	\$ 414,914
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Depreciation expense	6,562	4,798
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	1,001	20,493
Pledges receivable	235,847	(235,847)
Inventory	549	-
Accrued income	(5,738)	(13,512)
Prepaid expenses	(3,465)	(542)
Other receivables	-	(35,000)
Other assets	4,500	-
Deposits	-	-
Accounts payable	11,034	(11,320)
Accrued payroll	(2,141)	(1,086)
Accrued vacation	(302)	2,177
Deferred rent obligation	119	8,938
Deferred lease incentive	(4,450)	(4,452)
Deferred revenue	(9)	16,886
Net cash provided by operating activities	99,617	166,447
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(503,615)	-
Purchases of equipment	(13,380)	-
Net cash provided (used) by investing activities	(516,995)	-
Net decrease in cash and cash equivalents	(417,378)	166,447
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		
	710,156	543,709
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		
	\$ 292,778	\$ 710,156
<b>NON-CASH DISCLOSURE</b>		
Office renovation incentive for lease renewal	\$ -	\$ 23,000

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

**DEMENTIA ALLIANCE OF NORTH CAROLINA, INC.**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

**1. NATURE OF THE ORGANIZATION**

Nature of the Organization

Dementia Alliance of 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.

During 2018, in an effort to more accurately communicate its mission and vision, the Organization underwent a rebranding effort and changed its name from Alzheimers North Carolina, Inc. to Dementia Alliance of North Carolina, Inc.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

Change in Accounting Principle:

The Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without restrictions” and “net assets with restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Implementation of ASU 2016-14 was applied retroactively and required updates to previously reported net asset classifications. The Organization’s previously reported unrestricted net assets of \$316,999 (as restated) at June 30, 2018 are now report net assets without restrictions. The Organization’s previously reported temporarily restricted net assets of \$635,837 (as restated) at June 30, 2018 are now reported as net assets with restrictions.

**DEMENTIA ALLIANCE OF NORTH CAROLINA, INC.**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

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

Basis of Presentation

Net assets and revenue are classified based on the existence or absence of donor imposed restrictions. Accordingly, the net assets of the Organization and charges therein, are classified and reported as follows:

**Net assets without restrictions** – Consists of amounts that are available for use in carrying out the supporting activities of the Organization and not subject to donor-imposed stipulations. There are no Board of Director designated net at June 30, 2019 and 2018.

**Net assets with restrictions** – Net assets that are contributions subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the actions of the Organization and /or the passage of time. Net assets with restrictions totaled \$515,117 and \$635,837 (as restated) as of June 30, 2019 and 2018, respectively.

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.

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 with an original maturity date of three months or less..

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 net realizable value.

Property and Equipment

Purchased and donated property and equipment with a cost of \$1,000 or more with a life expectancy of more than one year 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 value 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.

**DEMENTIA ALLIANCE OF NORTH CAROLINA, INC.**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

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

Donated Assets and Services (Continued)

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.

Contributions

Contributions and grants received are recorded as support with or without restrictions 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 more than one year in the future 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, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Restrictions that are met in the same period as receipt are reported as support without restrictions.

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 uncollectible accounts receivable when management determines the receivable will not be collected. There was no allowance for doubtful accounts as of June 30, 2019 and 2018.

Investments

Investments are stated at fair value.

Fair Value Measurement

The Organization values its investments in accordance with a hierarchy that prioritizes the inputs to valuation techniques, giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement) when market prices are not readily available or reliable.

The three levels of the hierarchy under fair value measurements are described below:

*Level 1:* Quoted prices in active markets for identical securities.

*Level 2:* Prices determined using other significant observable inputs, which are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, credit risk, and others.

*Level 3:* Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used.

**DEMENTIA ALLIANCE OF NORTH CAROLINA, INC.**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

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

Investments (Continued)

Unobservable inputs reflect the Organization's own assumptions and would be based on the best information available.

Changes in valuation techniques could result in transfers in or out of an assigned level within the hierarchy. Interest income, including unrealized appreciation/depreciation earned on investments, is recognized as revenue without restrictions unless specifically restricted for use by the donor.

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 and consist of the following four categories:

- 1) Patient and family services – Provides families with daily support through counseling, support groups, resource referrals and emergency respite assistance.
- 2) Public awareness and education – Offers a variety of workshops to the community and provides caregivers with the tools and resources they need to make informed decisions.
- 3) Public policy – Advocates for the rights of individuals living with dementia and their caregivers through public relations initiatives, partnership programs, community outreach, and grassroots activities.
- 4) Respite services – Assists caregivers of individuals with dementia by providing them with resources and referrals for respite care and short-term stay services.
- 5) Research – Addresses important issues ranging across a broad spectrum of concerns in the field of dementia science and care over and above dementia research that seeks to discover the basic causes, prevention and cure of these diseases.

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. Fundraising expenses are the cost of the Organization to solicit and obtain contributions and funding.

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. The Organization is not aware of any unrelated business income for the years ended June 30, 2019 and 2018.

**DEMENTIA ALLIANCE OF NORTH CAROLINA, INC.**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

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

Income Taxes (Continued)

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, 2019 and 2018.

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 \$2,465 and \$4,224 in advertising costs for the years ended June 30, 2019 and 2018, respectively.

**3. 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. At June 30, 2019 and 2018, the Organization's cash deposits exceed the FDIC insured limits by approximately \$42,000 and \$116,000, respectively.

The Organization's investments are held by one investment firm and consists of certificates of deposits. The certificates of deposit were purchased from multiple financial institutions and all certificates of deposit are below the FDIC insured limits.

**4. INVESTMENTS**

The Organization's investments consist of certificates of deposit held at various financial institutions at year-end. The following summarizes the certificates of deposit's rate of return, maturity date, and fair value as of June 30, 2019:

<u>Certificate of Deposit</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2019 Fair Value</u>
A	2.60%	11/12/19	\$ 75,078
B	2.75%	07/06/20	104,459
C	3.00%	07/06/21	248,507
D	2.95%	10/13/20	75,571
			<u>\$ 503,615</u>

Interest income on the certificates of deposit totaled \$11,645 for the year ended June 30, 2019, respectively.

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**4. INVESTMENTS (Continued)**

The following is a description of the valuation and methodologies used for assets reported at fair value. There have been no changes in the methodologies used at June 30, 2019.

*Certificates of deposit:* Valued at amortized cost, which approximates fair value.

The preceding methods described may produce a fair value calculation that may not indicate net realizable value or reflect future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments may result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's investments at fair value on a recurring basis, as of June 30, 2019:

Category	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 503,615	\$ -	\$ 503,615

**5. RETIREMENT PLAN**

403(B) 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. The Organization stopped sponsoring the 4013(b) plan effective June 2018.

401(k) Retirement Plan

Effective July 1, 2018, the Organization sponsors a 401(k) retirement plan covering all eligible employees. Participating employees may contribute to the plan up to the maximum amount allowed by statutory limits. The Organization may make matching contributions to the Plan. In July 2018, the Board of Directors approved the Organization to match 3% of an employee's eligible compensation. Participating employees are fully vested in the Organization matching contributions after two years of service. For the year ended June 30, 2019, the Organization incurred costs of \$9,820.



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**6. NET ASSETS WITH RESTRICTIONS**

Net assets with restrictions are those stipulated by donors for specific operating purposes, those not currently available for use until commitments regarding their use have been fulfilled and are composed of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u> (As Restated)
<i>Subject to expenditures for a specific purpose or pass of time</i>		
Respite	\$ 54,483	\$ 67,971
Education	-	1,612
Research	445,383	554,108
Family Services	3,480	-
Other	11,771	12,146
Total net assets with restrictions	<u>\$ 515,117</u>	<u>\$ 635,837</u>

During the years ended June 30, 2019 and 2018, net assets released from restrictions totaled \$165,765, and \$66,851, respectively. The releases represent funds received from donors with restrictions that were spent during the year, according to the requirements set by the donor.

**7. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u> (As Restated)
Office equipment	\$ -	\$ 53,694
Office furniture	14,330	14,330
Leasehold improvements	23,000	23,000
Computer and software	15,774	16,277
Total property and equipment	53,104	107,301
Less: accumulated depreciation	(27,029)	(88,044)
Total property and equipment, net	<u>\$ 26,075</u>	<u>\$ 19,257</u>

Depreciation expense was \$6,562 and \$4,798 (as restated) for the years ended June 30, 2019 and 2018, respectively.

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**8. LEASE COMMITMENTS**

The Organization leases office space in Raleigh, North Carolina under a non-cancellable lease agreement expiring in August 2022. The lease initially contained two months of free rent and a \$23,000 up fit to the existing space. Rent is due in monthly installments starting at \$3,835 and escalating 3% each year thereafter. The up fit was reported as a deferred lease incentive upon execution of the lease and amortized over the life of the lease. Straight-line rent expense is \$42,835 for the years ended June 30, 2019 and 2018. As of June 30, 2019 and 2018, deferred rent liability totaled \$9,057 and \$8,938 (as restated), respectively, and deferred rent incentive liability was \$14,098, and \$18,548 (as restated), respectively.

Required future minimum lease payments under the non-cancellable lease is as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
June 30, 2020	\$ 48,582
June 30, 2021	50,040
June 30, 2022	51,541
June 30, 2023	8,633
Total	<u>\$ 158,796</u>

**9. LINE OF CREDIT**

As of June 30, 2019, the Organization has available an unsecured revolving line of credit in the amount of \$49,900 with a variable interest rate equal to the Prime Rate plus 1%. Any unpaid principal and interest outstanding on the line of credit is due when the line of credit matures on November 30, 2019. There was no outstanding balance as of June 30, 2019 and 2018.

**10. CONCENTRATIONS**

In the current year, approximately 12% of the Organization's revenues were received during the Tri-Walk/Fest of Hope held by the Organization.

**11. LIQUIDITY AND AVAILABILITY OF FUNDS**

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as it general expenditures, liabilities, and other obligations become due. The Organization invests cash in excess of daily requirements in an investment account.

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**11. LIQUIDITY AND AVAILABILITY OF FUNDS (Continued)**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

	2019	2018 (As Restated)
Cash	\$ 292,778	\$ 710,156
Investments	503,615	-
Accounts receivable	3,130	4,131
Pledges receivable	-	235,847
Less: Assets with restriction	(515,117)	(635,837)
Less: Accounts payable	(19,653)	(8,619)
Less: Accrued expenses	(24,752)	(27,195)
Total financial assets available to meet general expenditures and liabilities within the next 12 months	\$ 240,001	\$ 278,483

At June 30, 2019 and 2018, all net assets without restrictions are available to meet cash needs for general expenditures of the Organization with one year. Excess funds are available in the Organization's investment account consisting of certificates of deposit, if needed. Early redemption of the certificates of deposit may result in the Organization incurring nominal monetary penalties. In addition, the Organization has access to the line of credit mentioned in Note 9 to meet general expenditure obligations.

**12. SUBSEQUENT EVENTS**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November 13, 2019, which is the date the financial statements were available to be issued.

**13. PRIOR PERIOD CORRECTION**

The Organization discovered during the current year that the following corrections to the 2018 financial statements was required:

- Deferred rent obligation, deferred incentive liability, and leasehold improvement asset was reported to accounting for office renovations received upon execution of the lease agreement and report the difference between straight-line rent expense and required rent payments.
- Record accrued income to recognize revenue from events and report month due from the event.
- Recognize deferred revenue liability for deposits received prior to events occurring.
- Report pledge receive from estate settled in the year ended June 30, 2018.

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**13. PRIOR PERIOD CORRECTION (Continued)**

The adjustments resulted in the following changes to the Organization's 2018 financial statements:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
<b>Statement of Financial Position</b>			
Pledges receivable	\$ -	\$ 235,847	\$ 235,847
Accrued income	-	13,512	13,512
Property and equipment, net	709	18,548	19,257
Other receivables	-	35,000	35,000
Deferred rent liability	-	8,938	8,938
Deferred lease incentive	-	18,548	18,548
Deferred revenue	-	16,886	16,886
Net assets without restriction	58,464	258,535	316,999
<b>Statement of Activities</b>			
Contributions, memorials, and bequests - without restrictions	172,901	270,847	443,748
Fundraising events revenue	397,668	(3,354)	394,314
Patient and family services expenses	93,152	1,073	94,225
Public awareness and education expenses	159,769	2,686	162,455
Community Outreach Policy expenses	12,800	231	13,031
Respite services expenses	18,550	334	18,884
Management and general expenses	188,144	3,379	191,523
Fundraising expenses	70,888	1,254	72,142
Changes in net asset	156,379	258,535	414,914
Net assets without restricts at end of year	58,464	258,535	316,999
<b>Statement of Functional Expenses</b>			
Occupancy	42,215	4,486	46,701
Depreciation	346	4,452	4,798