

ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2019 AND 2018

INDEPENDENT AUDITOR'S REPORT ..... 1

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position ..... 3  
Consolidated Statements of Activities ..... 4  
Consolidated Statements of Functional Expenses ..... 6  
Consolidated Statements of Cash Flows ..... 10  
Notes to Consolidated Financial Statements ..... 11

CONSOLIDATING INFORMATION

Consolidating Statements of Financial Position ..... 22  
Consolidating Statements of Activities ..... 24  
Consolidating Statements of Cash Flows ..... 26



CALER, DONTEN, LEVINE,  
COHEN, PORTER & VEIL, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

505 SOUTH FLAGLER DRIVE, SUITE 900  
WEST PALM BEACH, FL 33401-5948  
TELEPHONE: (561) 832-9292

850 NW FEDERAL HIGHWAY, SUITE 121  
STUART, FL 34994-1019  
TELEPHONE: (772) 872-2123

info@cdlcpa.com

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K. CALER, JR., CPA  
LAURA E. CLARK, CPA  
LOUIS M. COHEN, CPA  
JOHN C. COURTNEY, CPA, JD  
DAVID S. DONTEN, CPA  
JAMES B. HUTCHISON, CPA  
JOEL H. LEVINE, CPA  
JAMES F. MULLEN, IV, CPA  
MICHAEL J. NALEZYTY, CPA  
THOMAS A. PENCE, JR., CPA  
SCOTT L. PORTER, CPA  
MARK D. VEIL, CPA  
MARTIN R. WOODS, CPA

### Independent Auditor's Report

To the Board of Directors  
Alzheimer's Community Care, Inc. and Subsidiary  
West Palm Beach, Florida

We have audited the accompanying consolidated financial statements of Alzheimer's Community Care, Inc. and Subsidiary (the "Organization", a not-for-profit organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alzheimer's Community Care, Inc. and Subsidiary as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

## Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 22 through 27 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Cale, Dauter, Levine,  
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida  
November 14, 2019

## ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 507,057	\$ 387,525
Investments	6,517,196	5,977,612
Accounts receivable, net of allowance for doubtful accounts of \$13,187 for 2019 and \$11,098 for 2018	1,351,960	1,009,453
Prepaid expenses	102,620	64,110
TOTAL CURRENT ASSETS	<u>8,478,833</u>	<u>7,438,700</u>
PROPERTY AND EQUIPMENT, net	1,902,223	1,999,185
<b>OTHER ASSETS</b>		
Donated assets held for sale	-	3,390
Deposits and other assets	8,087	8,837
Long-term investments	60,643	60,643
	<u>68,730</u>	<u>72,870</u>
	<u>\$ 10,449,786</u>	<u>\$ 9,510,755</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 150,563	\$ 132,081
Accrued expenses	202,254	189,385
Deferred revenue	5,000	5,000
Line of credit	-	180,000
Current portion of note payable	-	986
TOTAL CURRENT LIABILITIES	<u>357,817</u>	<u>507,452</u>
<b>NET ASSETS</b>		
Without donor restrictions	9,622,384	8,600,504
With donor restrictions	469,585	402,799
TOTAL NET ASSETS	<u>10,091,969</u>	<u>9,003,303</u>
	<u>\$ 10,449,786</u>	<u>\$ 9,510,755</u>

See notes to consolidated financial statements.

ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2019 and 2018

	<u>2,019</u>	<u>2018</u>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>Revenues and Other Support</b>		
Program services	\$ 5,856,556	\$ 4,431,895
Contributions	1,182,744	1,222,026
Governments grants	762,992	756,100
United Way	228,938	210,244
Special events	182,201	134,226
Net investment income	382,489	400,536
Other revenue	81,365	5,032
Net assets released from restrictions	307,800	469,745
Total revenue and other support	<u>8,985,085</u>	<u>7,629,804</u>
<b>Expenses</b>		
Program services		
Special program		
Daycare	5,298,581	4,816,863
Patient and family services		
Family consultants	941,367	1,091,442
Case management	293,093	311,791
Crisis line	36,099	29,940
Other services		
Education and training	459,264	428,683
Volunteer services	39,934	50,179
ID locator bracelets	230,306	-
Total program services	<u>7,298,644</u>	<u>6,728,898</u>
Supporting services		
Management and general	258,244	204,363
Fundraising	406,317	447,484
Total supporting services	<u>664,561</u>	<u>651,847</u>
Total expenses	<u>7,963,205</u>	<u>7,380,745</u>
<b>INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	1,021,880	249,059
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	374,586	582,348
Net assets released from restrictions	<u>(307,800)</u>	<u>(469,745)</u>
<b>INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>66,786</u>	<u>112,603</u>
<b>INCREASE IN NET ASSETS</b>	1,088,666	361,662
Net assets at beginning of year	<u>9,003,303</u>	<u>8,641,641</u>
Net assets at end of year	<u>\$ 10,091,969</u>	<u>\$ 9,003,303</u>

See notes to consolidated financial statements.

ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Program Services				
	Special Program	Patient and Family Services			
	Daycare	Family Consultants	Case Management	Crisis Line	Education and Training
Salaries	\$ 2,529,923	\$ 535,508	\$ 177,455	\$ 21,986	\$ 260,925
Contract labor	182,217	2,680	902	104	1,521
Employee benefits	338,950	83,343	26,279	2,450	28,760
Payroll taxes	179,616	46,268	13,172	1,598	19,038
Total personnel and related expenses	3,230,706	667,799	217,808	26,138	310,244
Interest expense	68	15	5	1	8
Bad debt expense	1,157	251	85	10	143
Professional fees	128,376	26,053	8,768	1,015	14,786
Office supplies and stationary	25,539	9,015	3,030	442	8,641
Telephone	88,764	20,221	6,352	4,129	9,123
Postage and shipping	6,745	16,104	424	50	815
Occupancy					
Rent	257,454	48,871	12,431	569	8,295
In-kind rent	333,661	45,738	11,110	1,286	18,737
Utilities and other	11,315	2,483	431	1	7
Equipment maintenance	287,018	38,527	9,270	353	5,197
Travel	13,298	13,992	7,410	128	5,934
Conferences and meetings	3,151	610	199	23	2,406
Publicity, advertising and educational outreach	85,878	18,633	6,271	726	10,914
Recruiting	3,768	927	478	12	179
Program food	347,381	-	-	-	-
Program supplies	167,160	695	228	20	1,546
Insurance	79,989	12,161	4,093	474	6,902
Miscellaneous	35,086	5,538	78	187	7,372
Hospitality services	30,548	6,461	2,174	252	43,887
Depreciation and amortization	161,519	7,273	2,448	283	4,128
Total expenses	<u>\$ 5,298,581</u>	<u>\$ 941,367</u>	<u>\$ 293,093</u>	<u>\$ 36,099</u>	<u>\$ 459,264</u>

<u>Program Services</u>		<u>Supporting Services</u>				
<u>Other Services</u>		<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
<u>Volunteer Services</u>	<u>ID Locator Bracelets</u>					
\$ 25,661	\$ 134,821	\$ 3,686,279	\$ 132,377	\$ 191,488	\$ 323,865	\$ 4,010,144
142	671	188,237	-	794	794	189,031
3,067	18,755	501,604	16,808	16,732	33,540	535,144
1,909	9,907	271,508	9,572	14,408	23,980	295,488
30,779	164,154	4,647,628	158,757	223,422	382,179	5,029,807
1	3	101	3	4	7	108
13	57	1,716	299	74	373	2,089
1,385	5,872	186,255	12,968	14,756	27,724	213,979
-	2,626	49,293	2,281	49,128	51,409	100,702
302	4,216	133,107	4,196	5,769	9,965	143,072
69	353	24,560	395	2,813	3,208	27,768
777	12,101	340,498	11,349	11,846	23,195	363,693
1,755	7,441	419,728	13,284	9,787	23,071	442,799
1	300	14,538	189	483	672	15,210
406	7,402	348,173	10,674	8,770	19,444	367,617
463	4,067	45,292	1,152	4,362	5,514	50,806
32	134	6,555	238	1,156	1,394	7,949
990	4,200	127,612	4,183	7,635	11,818	139,430
-	127	5,491	101	389	490	5,981
-	-	347,381	-	-	-	347,381
10	10,109	179,768	3,732	4,913	8,645	188,413
646	2,741	107,006	3,421	3,605	7,026	114,032
1,575	1,204	51,040	21,348	7,518	28,866	79,906
343	1,560	85,225	4,112	47,731	51,843	137,068
387	1,639	177,677	5,562	2,156	7,718	185,395
<u>\$ 39,934</u>	<u>\$ 230,306</u>	<u>\$ 7,298,644</u>	<u>\$ 258,244</u>	<u>\$ 406,317</u>	<u>\$ 664,561</u>	<u>\$ 7,963,205</u>

See notes to consolidated financial statements.

ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

	Program Services			
	Special Program	Patient and Family Services		
	Daycare	Family Consultants	Case Management	Crisis Line
Salaries	\$ 2,306,740	\$ 526,623	\$ 185,344	\$ 17,991
Contract labor	131,307	235	67	7
Employee benefits	318,186	84,144	30,402	1,498
Payroll taxes	160,869	46,888	13,696	1,165
Total personnel and related expenses	2,917,102	657,890	229,509	20,661
Interest expense	8,842	2,626	751	73
Professional fees	159,557	47,474	13,575	1,317
Office supplies and stationary	22,086	10,790	3,317	503
Telephone	83,594	22,825	6,091	3,177
Postage and shipping	7,024	19,412	567	213
Occupancy				
Rent	253,676	59,302	12,235	444
In-kind rent	288,115	42,618	9,122	885
Utilities and other	17,452	3,332	444	3
Equipment maintenance	223,817	46,763	10,960	345
Travel	16,364	17,133	7,131	145
Conferences and meetings	2,534	295	84	8
Publicity, advertising and educational outreach	87,220	27,176	7,426	963
Recruiting	8,243	2,400	408	97
Program food	284,763	96	-	-
Program supplies	165,746	95,301	2,231	223
Insurance	68,204	16,812	4,807	467
Miscellaneous	27,375	8,759	148	126
Hospitality services	376	45	13	1
Depreciation and amortization	129,475	9,283	2,654	258
Total expenses	<u>\$ 4,816,863</u>	<u>\$ 1,091,442</u>	<u>\$ 311,791</u>	<u>\$ 29,940</u>



<u>Program Services</u>		<u>Supporting Services</u>				
<u>Other Services</u>						
<u>Education and Training</u>	<u>Volunteer Services</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 245,086	\$ 32,744	\$ 3,314,528	\$ 109,061	\$ 234,464	\$ 343,525	\$ 3,658,053
89	12	131,717	-	85	85	131,802
30,903	3,168	468,301	15,035	17,864	32,899	501,200
17,827	2,327	242,772	8,045	17,369	25,414	268,186
293,905	38,251	4,157,318	132,141	269,782	401,923	4,559,241
993	133	13,418	445	950	1,395	14,813
17,950	2,398	242,271	13,127	18,160	31,287	273,558
6,658	8	43,362	3,947	27,124	31,071	74,433
4,491	144	120,322	3,949	9,746	13,695	134,017
881	246	28,343	453	2,302	2,755	31,098
6,045	808	332,510	11,194	13,447	24,641	357,151
12,062	1,611	354,413	11,318	11,539	22,857	377,270
43	6	21,280	39	453	492	21,772
4,821	519	287,225	8,784	8,477	17,261	304,486
2,818	464	44,055	1,145	4,674	5,819	49,874
3,932	15	6,868	224	353	577	7,445
10,221	1,533	134,539	4,600	14,195	18,795	153,334
262	11	11,421	282	160	442	11,863
-	-	284,859	-	-	-	284,859
3,355	1,057	267,913	932	4,340	5,272	273,185
6,357	849	97,496	3,204	6,081	9,285	106,781
7,611	1,599	45,618	1,185	14,917	16,102	61,720
42,348	2	42,785	2,481	37,426	39,907	82,692
3,510	469	145,649	4,609	3,358	7,967	153,616
<u>\$ 428,683</u>	<u>\$ 50,179</u>	<u>\$ 6,728,898</u>	<u>\$ 204,363</u>	<u>\$ 447,484</u>	<u>\$ 651,847</u>	<u>\$ 7,380,745</u>

See notes to consolidated financial statements.

ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 1,088,666	\$ 361,662
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	185,395	153,616
Provision for doubtful accounts	2,089	5,613
Realized and unrealized gains	(258,795)	(292,559)
Changes in operating assets and liabilities		
Accounts receivable	(344,596)	(349,619)
Prepaid expenses	(38,510)	(1,889)
Donated assets held for sale	3,390	-
Deposits and other assets	750	-
Accounts payable	18,482	34,012
Accrued expenses	12,869	12,207
Deferred revenue	-	4,300
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>669,740</u>	<u>(72,657)</u>
<b>INVESTING ACTIVITIES</b>		
Sales and maturities of investments	208,443	645,337
Purchases of investments	(489,232)	(172,740)
Purchases of property and equipment	(88,433)	(42,710)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(369,222)</u>	<u>429,887</u>
<b>FINANCING ACTIVITIES</b>		
Principal repayments on note payable	(986)	(5,917)
Borrowings on line of credit	100,000	150,000
Repayments on line of credit	(280,000)	(350,000)
NET CASH USED IN FINANCING ACTIVITIES	<u>(180,986)</u>	<u>(205,917)</u>
Increase in cash and cash equivalents	119,532	151,313
Cash and cash equivalents, beginning of year	<u>387,525</u>	<u>236,212</u>
Cash and cash equivalents, end of year	<u>\$ 507,057</u>	<u>\$ 387,525</u>

See notes to consolidated financial statements.

ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

**Organization:** Alzheimer's Community Care, Inc. ("ACC") is a community-based, 501(c)(3), not-for-profit organization serving Palm Beach, Martin and St. Lucie counties and is registered with the Florida Secretary of State in Tallahassee, Florida. ACC was incorporated in October 1996 by a group of local residents who were concerned about the growing number of people affected by Alzheimer's disease. The strategic principle established by ACC is that "We place a safety net around patients and caregivers every day."

ACC is free of religious, political, national or cultural affiliations. The mission of the Organization is "to promote and provide specialized, quality, and compassionate care within a community-based environment for patients and caregivers living with Alzheimer's disease and related neurocognitive disorders."

As of December 31, 2013, ACC received accreditation by the Joint Commission, the largest international accrediting organization for healthcare providers (hospitals, nursing homes, day care, hospice, etc.), a not-for-profit organization that is highly respected for setting certain performance standards that reflect evidence based outcomes.

The evidence based outcomes that have been tested as being successful have been incorporated within ACC's "Model of Care" and are effective for preserving families' quality of life, providing safety and security, and ensuring their well-being throughout the duration of the disease process. The disease can last for 2 to 20 years with an average of 10 years. During the years ended June 30, 2019 and 2018, ACC provided various services to patients and families affected by Alzheimer's disease and related disorders. The following are the major services provided:

**Core Services**

- Family Nurse Consultant Services
- 11 Specialized Adult Day Care Centers
- Professional and Community Education
- 24/7 Alzheimer's Crisis Line
- Case Management
- ID Locator Bracelet Program
- Caregiver Support Groups

**Wrap Around Services**

- Information and Referral
- Volunteer Services
- Quarterly Alzheimer's Magazine
- Website, SociAlz, [Alzcare.org](http://Alzcare.org)
- Specialized Disaster Preparedness/Special Needs Shelter
- Advocacy

The Alzheimer's Community Care Foundation, Inc. (the "Foundation") was incorporated in the State of Florida as a not-for-profit corporation in July 2008. The Foundation was organized exclusively for the benefit of ACC, to be the custodian of financial gifts and to promote and advise philanthropic actions for the common good of ACC. ACC appoints the Board of the Foundation and accordingly, the Foundation is required by U.S. generally accepted accounting principles (GAAP) to be consolidated with ACC.

ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Consolidation: The accompanying financial statements are consolidated to include the accounts of ACC and the Foundation (collectively, the "Organization"). All intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. Net assets and revenue, gains and losses of the Organization are classified and reported based on the existence or absence of donor-imposed restrictions as follows:

*Net Assets Without Donor Restrictions* are resources generated from operations, unrestricted donations and lapse of temporary restrictions and are not subject to donor-imposed stipulations.

*Net Assets With Donor Restrictions* are those whose use by the Organization has been limited by donors to a specific time period, purpose or in perpetuity.

Net assets with donor restrictions are created only by donor-imposed restrictions on their use. All other net assets, including Board designated or appropriated amounts, are legally unrestricted, and are reported as part of net assets without donor restrictions.

Cash and Cash Equivalents: Cash and cash equivalents include amounts on deposit with financial institutions in checking accounts and money market accounts. For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash in high quality financial institutions which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe its cash accounts are exposed to any significant credit risk. At June 30, 2019 and 2018, deposits with all financial institutions exceeded federal deposit insurance by approximately \$339,000 and \$73,000, respectively.

Investments: Investments are presented in the consolidated financial statements at fair value, using quoted market prices for publicly traded securities and other relevant information generated by market transactions. The Organization invests in equity and fixed income mutual funds and exchange traded funds (ETF's). The Organization contracts with an investment manager to perform ongoing investment functions. All investments are held by a trust company for the benefit of the Organization, but are not insured or collateralized. Investment transactions are recorded on a trade date basis. Interest income is recorded on the accrual basis and dividend income is recorded on the ex-dividend date.

Accounts Receivable: Accounts receivable consist primarily of monthly billings for the Organization's daycare clients residing in Palm Beach, Martin and St. Lucie Counties. Accounts receivable for daycare operations are uncollateralized. An allowance for doubtful accounts is provided for receivables when there is a question as to ultimate collectability. Receivables are written off when management has determined that the amount will not be collected. Collections on accounts previously written off are included in other support when received.

Property and Equipment: Property and equipment over \$2,500 is capitalized and stated at cost, if purchased by the Organization, or at the fair value of the asset on the date of the gift, if received as a donation. Donated assets are reported as changes in net assets without donor restrictions. Depreciation is

ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

determined on a straight-line basis over the estimated useful life of the asset, generally 40 years for buildings and five to seven years for all other property and equipment. Amortization of leasehold improvements is included with depreciation expense.

Contributions, Patient Service Revenues and Expenses: The Organization recognizes contributions as income in the period received. Contributions are reported as changes in net assets with or without donor restrictions depending on the absence or existence of donor stipulations that limit the use of the support. Unconditional contributions are recognized as support when received. All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restriction. Contributions receivable that are due in more than one year are discounted to their estimated net present value using a risk free interest rate at the date of contribution. The discount is amortized to contribution income over the term of the receivable. The Organization did not have any outstanding contributions receivable at June 30, 2019 and 2018.

Fees for patient services and program service revenues are recognized when the services are performed and other revenue is recognized when earned. Under these contracts, the Organization received service fees payable monthly or based on specific services provided. Contract services are recognized on a monthly straight-line basis over the course of the period specified in the contract.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Government Grants: Government grants are subject to annual renewal and periodic amendment and require the fulfillment of certain conditions as set forth in each grant agreement. Amounts received or receivable from grantor agencies may be subject to audit by those agencies and any disallowed expenses, including amounts already received, might constitute a liability of the Organization for return of those funds. Management believes that the Organization has met all requirements and objectives of the grantor agencies and considers it unlikely that any material amount of funds would be returned. In addition to revenue recorded as government grants, the Organization also received State financial assistance on a fee for service basis totaling \$3,702,172 and \$2,153,423 for the years ended June 30, 2019 and 2018, respectively, that was recorded as program services revenue. Total government grant revenue represented approximately 41% and 28% of total revenue and other support for the years ended June 30, 2019 and 2018, respectively. The Alzheimer's Disease Initiative (ADI) grant represented 48% and 40% of total receivables at June 30, 2019 and 2018, respectively.

In-Kind Contributions: The Organization records various types of in-kind support including contributed meals, goods, services and facility rent. Contributed professional services are recognized 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. In-kind contributions are recognized at fair value when received by the Organization. Contributed meals and goods and services for the daycare program recorded for the years ended June 30, 2019 and 2018, totaled \$181,041 and \$144,391, respectively. Contributed facility rent recorded for the years ended June 30, 2019 and 2018, totaled \$442,799 and \$377,270, respectively.

ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization also receives a significant amount of skilled, contributed time, which does not meet the recognition criteria described above. The contributed time not reflected in the accompanying consolidated financial statements was valued at approximately \$208,000 and \$139,000 for the years ended June 30, 2019 and 2018, respectively. Concerned members of the community who occasionally sponsor fundraising events on behalf of the Organization underwrite the costs of those events. Accordingly, since no objective basis is available to measure the value of such contributions, they are not reflected in the accompanying consolidated financial statements.

Advertising Costs: Advertising costs are charged to expense as incurred. Total expense for the years ended June 30, 2019 and 2018, was approximately \$9,000 in each year.

Compensated Absences: The Organization combines all compensated absence categories into one program called Paid Time Off (PTO). The Organization accrues unused PTO when earned by employees. Employees of the Organization may accumulate unused PTO leave after one year of service depending on their job classification and length of service. Accumulated PTO is payable to employees with five or more years of service, upon either termination or retirement with proper notice, at the pay rate on that date. If an employee separates during the first five years of employment the employee will not be paid any accumulated PTO.

Functional Allocation of Expenses: The costs of providing the various services the Organization offers have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses which can be specifically identified with a functional category are charged accordingly. Expenses which are not directly identifiable with a specific functional category require allocation on a reasonable basis that is consistently applied. Salaries are allocated on the basis of estimates of time and effort; occupancy costs are allocated on the basis of square footage; and other natural costs are allocated on the basis of management's identification, based on observation and professional evaluation, of the direct benefit of the cost to a particular program function or supporting function.

Income Taxes: ACC and the Foundation are exempt from income taxes as public charities under the provisions of Internal Revenue Code Section 501(c)(3).

The Organization evaluates its uncertain tax positions in accordance with FASB ASC 740, *Income Taxes*, which states that management's determination of the taxable status of an entity, including its status as a tax-exempt entity, is a tax position subject to the standards required for accounting for uncertainty in income taxes. Management does not believe that the Organization has any significant uncertain tax positions that would be material to the consolidated financial statements. The Organization's tax returns for tax years prior to 2016 are no longer subject to examination by taxing authorities.

Changes in Accounting Principles: The Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which was effective for the Organization for the year ending June 30, 2019. ASU 2016-14 amends the requirements for financial statement presentation by 1) changing the presentation of net assets to include *net assets with donor restrictions* and *net assets without donor restrictions*, rather than unrestricted, temporarily restricted and permanently restricted net

ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

assets; and, 2) requiring additional disclosures about the Organization's liquidity, financial performance and functional expense allocation. The Organization implemented ASU 2016-14 for the fiscal year ended June 30, 2019. The presentation of the financial statements have been changed to include these additional disclosures. There were no changes to the net assets or changes in net assets as previously presented in the June 30, 2018 financial statements.

Recent Accounting Pronouncements: The following updates to accounting standards have been issued by the FASB and may affect the Organization in future years. Management has not completed its analysis of the effects, if any, of the following accounting standards:

ASU 2014-09, *Revenue from Contracts with Customers*, as amended. This standard provides a comprehensive model for revenue recognition. The standard may be adopted using either the full or retrospective method. The standard will be effective for the Organization for the year ending June 30, 2020.

ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard clarifies the guidance for evaluating whether a transaction is reciprocal (an exchange transaction) or nonreciprocal (a contribution) and for distinguishing between conditional and unconditional contributions. This standard will be effective for the Organization for the year ending June 30, 2021.

ASU 2016-02, *Leases*, requires lessees to record right-of-use assets and lease liabilities arising from most operating leases on the balance sheet. The standard will be effective for the Organization for the year ending June 30, 2021 and must be adopted using a modified retrospective method.

Reclassifications: Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the 2019 consolidated financial statement presentation.

Use of Estimates and Assumptions: Management uses estimates and assumptions in preparing consolidated financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Subsequent Events: The Organization has evaluated subsequent events through November 14, 2019, which is the date the consolidated financial statements were available to be issued.

NOTE B - LIQUIDITY AND AVAILABILITY

The Organization manages its liquidity to operate within a prudent range of financial soundness and stability, and maintain adequate liquid assets to fund operating needs. The Organization aims to keep approximately 60 days of anticipated operating expenditures in its checking account. Cash and cash equivalents above this threshold are deposited in interest bearing money market funds or other accounts.

ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE B - LIQUIDITY AND AVAILABILITY (Continued)

The following table reflects the Organization's available assets as of June 30, 2019 and 2018, reduced by amounts that are not available to meet general operating expenditures within one year of the statement of financial position date. For purposes of analyzing resources available to meet general operating expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program related activities as well as the conduct of services undertaken to support those activities to be general operating expenditures. In addition, the Foundation's long-term investments may be sold if the need arises. Financial assets available to meet cash needs for general operating expenditures for the subsequent fiscal year are as follows:

	<u>2019</u>	<u>2018</u>
Financial assets at June 30:		
Cash and cash equivalents	\$ 507,057	\$ 387,525
Investments, excluding long-term investments	6,517,196	5,977,612
Accounts receivable	<u>1,351,960</u>	<u>1,009,453</u>
	8,376,213	7,374,590
Less assets with donor restricted purposes	<u>(408,942)</u>	<u>(342,156)</u>
Total financial assets available at June 30	<u>\$ 7,967,271</u>	<u>\$ 7,032,434</u>

NOTE C - INVESTMENTS

Investments at June 30, 2019 and 2018, are summarized as follows:

	<u>2019</u>	<u>2018</u>
Mutual funds		
Equity	\$ 2,787	\$ 2,548
Fixed income	979,459	896,875
Exchange traded funds		
Domestic equity	2,798,429	2,634,888
International equity	1,134,486	1,015,358
Fixed income	<u>1,662,678</u>	<u>1,488,586</u>
Total investments	<u>\$ 6,577,839</u>	<u>\$ 6,038,255</u>
Investments	\$ 6,517,196	\$ 5,977,612
Long-term investments	<u>60,643</u>	<u>60,643</u>
Total investments	<u>\$ 6,577,839</u>	<u>\$ 6,038,255</u>

The Organization's investments are exposed to various risks, such as market risk, interest rate risk, custodial credit risk, and concentration of credit risk. Due to the various risks associated with the Organization's investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.



ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE C - INVESTMENTS (Continued)

Investment income for 2019 and 2018, consists of the following:

	<u>2019</u>	<u>2018</u>
Dividend and interest income	\$ 145,362	\$ 129,182
Realized and unrealized gains	<u>258,795</u>	<u>292,559</u>
	404,157	421,741
Investment fees	<u>(21,668)</u>	<u>(21,205)</u>
Net investment income	<u>\$ 382,489</u>	<u>\$ 400,536</u>

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 and 2018, are summarized as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 28,426	\$ 28,426
Buildings	866,337	866,337
Leasehold improvements	1,820,311	1,820,311
Furniture and equipment	404,412	393,543
Vehicle	75,121	44,251
Construction in progress	<u>46,694</u>	<u>-</u>
	3,241,301	3,152,868
Less accumulated depreciation and amortization	<u>(1,339,078)</u>	<u>(1,153,683)</u>
Total	<u>\$ 1,902,223</u>	<u>\$ 1,999,185</u>

Depreciation and amortization expense for 2019 and 2018 totaled \$185,395 and \$153,616, respectively.

NOTE E - NOTE PAYABLE

In August 2015, the Organization entered into a financing agreement for a vehicle in the amount of \$17,751. The financing agreement required payments of \$493 per month through August 2018. The interest rate on the note payable was 0% per annum and the note was secured by the purchased vehicle. The note was paid in full in August 2018.

NOTE F - LINE OF CREDIT

At June 30, 2019, the Organization had a \$500,000 line of credit with a variable interest rate equal to the Wall Street Journal Prime Rate (5.2% at June 30, 2019). The line of credit had an outstanding balance of \$0 and \$180,000 at June 30, 2019 and 2018, respectively. The Organization has pledged its personal property,

ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE F - LINE OF CREDIT (Continued)

receivables, inventory, investments, equipment, deposits, and other assets as defined in the collateral agreement. The line of credit matures on March 31, 2020.

The Organization incurred and paid total interest costs on all debt of \$108 and \$14,813 for the years ended June 30, 2019 and 2018, respectively.

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<i>Purpose Restrictions</i>		
Restricted for scholarships	\$ 262,540	\$ 148,972
Restricted for nursing accreditation	-	56,940
Restricted for day care and music therapy	96,241	96,244
Restricted for locator services/bracelets	<u>50,161</u>	<u>40,000</u>
Total purpose restrictions	408,942	342,156
<i>Perpetual Restrictions</i>		
Endowment in perpetuity	<u>60,643</u>	<u>60,643</u>
Total Net Assets with Donor Restrictions	<u>\$ 469,585</u>	<u>\$ 402,799</u>

Purpose restrictions on assets are imposed by the donor and specify a particular program or purpose for which the donated assets must be used. Once the assets are used for the specific program or purpose, the amounts are released from restriction and reclassified to net assets without restrictions. Endowment assets are restricted in perpetuity and only the corresponding income on those assets may be used for unrestricted purposes.

NOTE H - ENDOWMENT

The Organization's endowment consists of contributions that must be maintained in perpetuity. The earnings on endowment assets are used to support the Organization's activities. Net assets with donor restrictions related to the endowment fund totaled \$60,643 at June 30, 2019 and 2018.

FASB ASC 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. The State of Florida enacted a version of UPMIFA effective July 1, 2012, known as the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) that governs the investment and management of donor-restricted endowment funds by Florida not-for-profit organizations.

ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE H - ENDOWMENT (Continued)

Absent explicit donor stipulations, FUPMIFA generally requires prudent care in investing, managing and developing spending plans for donor-restricted endowment funds. As a result, the Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument (if applicable) at the time the accumulation is added to the endowment; and, (d) the portion of investment earnings added to the permanent endowment to maintain its purchasing power.

The Organization's current endowment funds do not require any portion of the investment earnings to be added to the endowment and, accordingly, all investment earnings are recorded as unrestricted and used to support the ongoing operations of the Organization. The Organization considers the following factors in making a determination to expend donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

There were no changes in endowment assets for the years ended June 30, 2019 and 2018.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain in perpetuity. These deficiencies generally result from unfavorable market declines in the Organization's endowment investments and are reported as reductions to net assets with donor restrictions. There were no endowment fund deficiencies at June 30, 2019 and 2018.

Investment Objective and Risk Parameters: The Organization has adopted investment policies for endowment assets that attempt to provide for moderate current income to fund programs supported by the endowment assets. Under the policy approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce market interest returns, while assuming a minimal level of investment risk. The Organization expects its endowment assets, over time, to provide an average rate of return of approximately 3% annually. Actual returns in any given year may vary from this amount.

Strategies for Achieving Investment Objectives: To satisfy its investment rate of return objectives, the Organization relies on a conservative strategy to produce investment returns from current earnings (interest and dividends) rather than market appreciation. The Organization has a passive investment policy that performs reallocations on a quarterly basis.

Spending Policy: The Organization does not have a policy for appropriating expenditures from endowment assets beyond investment income. This is consistent with the Organization's objective to maintain the endowment assets in perpetuity and provide additional growth through new gifts.

ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE I - FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2: Inputs, other than quoted prices included within Level 1, that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Inputs are unobservable for the assets or liabilities.

The fair value measurement of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Items Measured at Fair Value on a Recurring Basis: The following methods and assumptions were used by the Organization in estimating the fair value of financial instruments that are measured at fair value on a recurring basis under FASB ASC 820:

*Mutual funds:* Valued at the net asset value ("NAV") of the shares held by the Organization at year end as reported on a national stock exchange.

*Exchange traded funds:* Valued at the closing price of the funds as reported on a national stock exchange.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the methodologies during the years ended June 30, 2019 and 2018.

Fair Value of Assets and Liabilities: The Organization's financial assets measured at fair value on a recurring basis at June 30, 2019 and 2018, were all Level 1 assets and are summarized as follows:

	Fair Values at June 30, 2019			
	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds	\$ 982,246	\$ -	\$ -	\$ 982,246
Exchange traded funds	5,595,593	-	-	5,595,593
Total assets	\$ 6,577,839	\$ -	\$ -	\$ 6,577,839

ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE I - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Fair Values at June 30, 2018			Total
	Level 1	Level 2	Level 3	
Investments				
Mutual funds	\$ 899,423	\$ -	\$ -	\$ 899,423
Exchange traded funds	<u>5,138,832</u>	<u>-</u>	<u>-</u>	<u>5,138,832</u>
Total assets	<u>\$ 6,038,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,038,255</u>

There were no liabilities measured at fair value on a recurring basis at June 30, 2019 and 2018.

NOTE J - RETIREMENT PLAN

The Organization administers a 401(k) retirement plan (the "Plan") that was adopted on January 1, 2007, and subsequently amended on July 1, 2009. Employees are eligible to participate in the Plan after completing one year of service and may contribute a maximum of 25% of their pre-tax annual compensation, as defined in the Plan, up to the maximum allowable limits established by the Internal Revenue Code. Participants who turn 50 during the plan year may make additional pre-tax contributions pursuant to the Catch-Up Elective Contributions of the Internal Revenue Service regulations. The Organization may make matching or discretionary contributions to the Plan. Currently, employees receive safe harbor matching contributions of 100% of salary deferrals up to 3% of total compensation, plus 50% matching contributions on salary deferrals from 3% to 5% of total compensation. The matching contributions by the Organization to the Plan for the years ended June 30, 2019 and 2018, were \$86,087 and \$64,791, respectively. No discretionary contributions were made for 2019 or 2018.

NOTE K - OPERATING LEASES

The Organization conducts its operations from several facilities that are leased with various expiration dates through June 2037 with the option of renewing through 2045 if conditional requirements are met. Certain of the facilities leased by the Organization require annual rental payments of one dollar and reimbursement for common area maintenance expenses. The difference between the estimated fair value rental of these facilities and the rent paid by the Organization is recorded as contribution revenue and in-kind rent expense. The required rental payments are recorded as rent expense. The Organization incurred \$363,693 and \$357,151 in rent expense and recorded \$442,799 and \$377,270 for in-kind rent expense for the years ended June 30, 2019 and 2018, respectively.

The Organization also leases copiers and printer equipment under an operating lease which requires 60 monthly payments of \$2,775 through May 2024.

The approximate minimum future rental payments, including required common area maintenance expenses, under non-cancelable operating leases at June 30, 2019, are as follows:

ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE K - OPERATING LEASES (Continued)

<u>Year Ending June 30,</u>	<u>Facilities Rental</u>	<u>Equipment Rental</u>	<u>Total</u>
2020	\$ 339,000	\$ 33,300	\$ 372,300
2021	234,300	33,300	267,600
2022	207,200	33,300	240,500
2023	204,200	33,300	237,500
2024	207,200	30,500	237,700
Thereafter	<u>1,334,800</u>	<u>-</u>	<u>1,334,800</u>
	<u>\$ 2,526,700</u>	<u>\$ 163,700</u>	<u>\$ 2,690,400</u>

NOTE L - SUBSEQUENT EVENT

In August 2019, the Organization received a bequest in the amount of \$1.67 million.

## ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2019

	Alzheimer's Community Care, Inc.	Alzheimer's Community Care Foundation, Inc.	Consolidating & Eliminating Entries	Consolidated
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 449,379	\$ 57,678	\$ -	\$ 507,057
Investments	2,787	6,514,409	-	6,517,196
Accounts receivable, net	1,351,960	-	-	1,351,960
Prepaid expenses	102,620	-	-	102,620
TOTAL CURRENT ASSETS	<u>1,906,746</u>	<u>6,572,087</u>	<u>-</u>	<u>8,478,833</u>
PROPERTY AND EQUIPMENT, net	1,902,223	-	-	1,902,223
<b>OTHER ASSETS</b>				
Deposits and other assets	8,087	-	-	8,087
Long-term investments	-	60,643	-	60,643
	<u>8,087</u>	<u>60,643</u>	<u>-</u>	<u>68,730</u>
	<u>\$ 3,817,056</u>	<u>\$ 6,632,730</u>	<u>\$ -</u>	<u>\$ 10,449,786</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 150,563	\$ -	\$ -	\$ 150,563
Accrued expenses	202,254	-	-	202,254
Deferred revenue	5,000	-	-	5,000
TOTAL CURRENT LIABILITIES	<u>357,817</u>	<u>-</u>	<u>-</u>	<u>357,817</u>
<b>NET ASSETS</b>				
Without donor restrictions	3,050,297	6,572,087	-	9,622,384
With donor restrictions	408,942	60,643	-	469,585
TOTAL NET ASSETS	<u>3,459,239</u>	<u>6,632,730</u>	<u>-</u>	<u>10,091,969</u>
	<u>\$ 3,817,056</u>	<u>\$ 6,632,730</u>	<u>\$ -</u>	<u>\$ 10,449,786</u>

## ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2018

	Alzheimer's Community Care, Inc.	Alzheimer's Community Care Foundation, Inc.	Consolidating & Eliminating Entries	Consolidated
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 323,010	\$ 64,515	\$ -	\$ 387,525
Investments	2,548	5,975,064	-	5,977,612
Accounts receivable, net	1,009,453	-	-	1,009,453
Prepaid expenses	64,110	-	-	64,110
TOTAL CURRENT ASSETS	<u>1,399,121</u>	<u>6,039,579</u>	<u>-</u>	<u>7,438,700</u>
PROPERTY AND EQUIPMENT, net	1,999,185	-	-	1,999,185
<b>OTHER ASSETS</b>				
Donated assets held for sale	3,390	-	-	3,390
Deposits and other assets	8,837	-	-	8,837
Long-term investments	-	60,643	-	60,643
	<u>12,227</u>	<u>60,643</u>	<u>-</u>	<u>72,870</u>
	<u>\$ 3,410,533</u>	<u>\$ 6,100,222</u>	<u>\$ -</u>	<u>\$ 9,510,755</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 132,081	\$ -	\$ -	\$ 132,081
Accrued expenses	189,385	-	-	189,385
Deferred revenue	5,000	-	-	5,000
Line of credit	180,000	-	-	180,000
Current portion of note payable	986	-	-	986
TOTAL CURRENT LIABILITIES	<u>507,452</u>	<u>-</u>	<u>-</u>	<u>507,452</u>
<b>NET ASSETS</b>				
Without donor restrictions	2,560,925	6,039,579	-	8,600,504
With donor restrictions	342,156	60,643	-	402,799
TOTAL NET ASSETS	<u>2,903,081</u>	<u>6,100,222</u>	<u>-</u>	<u>9,003,303</u>
	<u>\$ 3,410,533</u>	<u>\$ 6,100,222</u>	<u>\$ -</u>	<u>\$ 9,510,755</u>



## ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

## CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	Alzheimer's Community Care, Inc.	Alzheimer's Community Care Foundation, Inc.	Consolidating & Eliminating Entries	Consolidated
<b>REVENUE AND OTHER SUPPORT</b>				
Program services	\$ 5,856,556	\$ -	\$ -	\$ 5,856,556
Contributions	1,696,868	300,000	(439,538)	1,557,330
Government grants	762,992	-	-	762,992
United Way	228,938	-	-	228,938
Special events	182,201	-	-	182,201
Investment income (loss), net	(19)	382,508	-	382,489
Other revenue	81,365	-	-	81,365
	<u>8,808,901</u>	<u>682,508</u>	<u>(439,538)</u>	<u>9,051,871</u>
<b>EXPENSES</b>				
Program services				
Special program				
Daycare	5,298,581	-	-	5,298,581
Patient and family services				
Family consultants	941,367	-	-	941,367
Case management	293,093	-	-	293,093
Crisis line	36,099	-	-	36,099
Other services				
Education and training	459,264	-	-	459,264
Volunteer services	39,934	-	-	39,934
ID locator bracelets	230,306	-	-	230,306
Total program services	<u>7,298,644</u>	<u>-</u>	<u>-</u>	<u>7,298,644</u>
Supporting services				
Management and general	247,782	10,462	-	258,244
Fundraising	406,317	-	-	406,317
Contribution to Alzheimer's Community Care Foundation, Inc.	300,000	139,538	(439,538)	-
Total supporting services	<u>954,099</u>	<u>150,000</u>	<u>(439,538)</u>	<u>664,561</u>
Total expenses	<u>8,252,743</u>	<u>150,000</u>	<u>(439,538)</u>	<u>7,963,205</u>
Increase in net assets	556,158	532,508	-	1,088,666
Net assets, beginning of year	<u>2,903,081</u>	<u>6,100,222</u>	<u>-</u>	<u>9,003,303</u>
Net assets, end of year	<u>\$ 3,459,239</u>	<u>\$ 6,632,730</u>	<u>\$ -</u>	<u>\$ 10,091,969</u>

## ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

## CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	Alzheimer's Community Care, Inc.	Alzheimer's Community Care Foundation, Inc.	Consolidating & Eliminating Entries	Consolidated
<b>REVENUE AND OTHER SUPPORT</b>				
Program services	\$ 4,431,895	\$ -	\$ -	\$ 4,431,895
Contributions	2,323,957	-	(519,583)	1,804,374
Government grants	756,100	-	-	756,100
United Way	210,244	-	-	210,244
Special events	134,226	-	-	134,226
Investment income, net	115	400,421	-	400,536
Other revenue	5,032	-	-	5,032
	<u>7,861,569</u>	<u>400,421</u>	<u>(519,583)</u>	<u>7,742,407</u>
<b>EXPENSES</b>				
Program services				
Special program				
Daycare	4,816,863	-	-	4,816,863
Patient and family services				
Family consultants	1,091,442	-	-	1,091,442
Case management	311,791	-	-	311,791
Crisis line	29,940	-	-	29,940
Other services				
Education and training	428,683	-	-	428,683
Volunteer services	50,179	-	-	50,179
Total program services	<u>6,728,898</u>	<u>-</u>	<u>-</u>	<u>6,728,898</u>
Supporting services				
Management and general	198,947	5,416	-	204,363
Fundraising	447,484	-	-	447,484
Contribution to Alzheimer's Community Care, Inc.	-	519,583	(519,583)	-
Total supporting services	<u>646,431</u>	<u>524,999</u>	<u>(519,583)</u>	<u>651,847</u>
Total expenses	<u>7,375,329</u>	<u>524,999</u>	<u>(519,583)</u>	<u>7,380,745</u>
	<u>486,240</u>	<u>(124,578)</u>	<u>-</u>	<u>361,662</u>
Increase (decrease) in net assets				
Net assets, beginning of year	<u>2,416,841</u>	<u>6,224,800</u>	<u>-</u>	<u>8,641,641</u>
Net assets, end of year	<u>\$ 2,903,081</u>	<u>\$ 6,100,222</u>	<u>\$ -</u>	<u>\$ 9,003,303</u>

ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

	Alzheimer's Community Care, Inc.	Alzheimer's Community Care Foundation, Inc.	Consolidating & Eliminating Entries	Consolidated
<b>OPERATING ACTIVITIES</b>				
Increase in net assets	\$ 556,158	\$ 532,508	\$ -	\$ 1,088,666
Adjustments to reconcile increase in net assets to net cash provided by operating activities				
Depreciation and amortization	185,395	-	-	185,395
Provision for doubtful accounts	2,089	-	-	2,089
Realized and unrealized (gains) losses	508	(259,303)	-	(258,795)
Changes in operating assets and liabilities				
Accounts receivable	(344,596)	-	-	(344,596)
Prepaid expenses	(38,510)	-	-	(38,510)
Donated assets held for sale	3,390	-	-	3,390
Deposits and other assets	750	-	-	750
Accounts payable	18,482	-	-	18,482
Accrued expenses	12,869	-	-	12,869
NET CASH PROVIDED BY OPERATING ACTIVITIES	396,535	273,205	-	669,740
<b>INVESTING ACTIVITIES</b>				
Sales and maturities of investments	-	208,443	-	208,443
Purchases of investments	(747)	(488,485)	-	(489,232)
Purchases of property and equipment	(88,433)	-	-	(88,433)
NET CASH USED IN INVESTING ACTIVITIES	(89,180)	(280,042)	-	(369,222)
<b>FINANCING ACTIVITIES</b>				
Principal repayments on note payable	(986)	-	-	(986)
Borrowings on line of credit	100,000	-	-	100,000
Repayments on line of credit	(280,000)	-	-	(280,000)
NET CASH USED IN FINANCING ACTIVITIES	(180,986)	-	-	(180,986)
Increase (decrease) in cash and cash equivalents	126,369	(6,837)	-	119,532
Cash and cash equivalents, beginning of year	323,010	64,515	-	387,525
Cash and cash equivalents, end of year	<u>\$ 449,379</u>	<u>\$ 57,678</u>	<u>\$ -</u>	<u>\$ 507,057</u>

ALZHEIMER'S COMMUNITY CARE, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

	Alzheimer's Community Care, Inc.	Alzheimer's Community Care Foundation, Inc.	Consolidating & Eliminating Entries	Consolidated
<b>OPERATING ACTIVITIES</b>				
Increase (decrease) in net assets	\$ 486,240	\$ (124,578)	\$ -	\$ 361,662
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities				
Depreciation and amortization	153,616	-	-	153,616
Provision for doubtful accounts	5,613	-	-	5,613
Realized and unrealized gains	(38)	(292,521)	-	(292,559)
Changes in operating assets and liabilities				
Accounts receivable	(349,619)	-	-	(349,619)
Prepaid expenses	(1,889)	-	-	(1,889)
Accounts payable	34,012	-	-	34,012
Accrued expenses	12,207	-	-	12,207
Deferred revenue	4,300	-	-	4,300
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	344,442	(417,099)	-	(72,657)
<b>INVESTING ACTIVITIES</b>				
Sales and maturities of investments	4,966	640,371	-	645,337
Purchases of investments	-	(172,740)	-	(172,740)
Purchases of property and equipment	(42,710)	-	-	(42,710)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(37,744)	467,631	-	429,887
<b>FINANCING ACTIVITIES</b>				
Principal repayments on note payable	(5,917)	-	-	(5,917)
Borrowings on line of credit	150,000	-	-	150,000
Repayments on line of credit	(350,000)	-	-	(350,000)
NET CASH USED IN FINANCING ACTIVITIES	(205,917)	-	-	(205,917)
Increase in cash and cash equivalents	100,781	50,532	-	151,313
Cash and cash equivalents, beginning of year	222,229	13,983	-	236,212
Cash and cash equivalents, end of year	<u>\$ 323,010</u>	<u>\$ 64,515</u>	<u>\$ -</u>	<u>\$ 387,525</u>



CALER, DONTEN, LEVINE,  
COHEN, PORTER & VEIL, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

505 SOUTH FLAGLER DRIVE, SUITE 900  
WEST PALM BEACH, FL 33401-5948  
TELEPHONE: (561) 832-9292

850 NW FEDERAL HIGHWAY, SUITE 121  
STUART, FL 34994-1019  
TELEPHONE: (772) 872-2123

info@cdlcpa.com

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K. CALER, JR., CPA  
LAURA E. CLARK, CPA  
LOUIS M. COHEN, CPA  
JOHN C. COURTNEY, CPA, JD  
DAVID S. DONTEN, CPA  
JAMES B. HUTCHISON, CPA  
JOEL H. LEVINE, CPA  
JAMES F. MULLEN, IV, CPA  
MICHAEL J. NALEZYTY, CPA  
THOMAS A. PENCE, JR., CPA  
SCOTT L. PORTER, CPA  
MARK D. VEIL, CPA  
MARTIN R. WOODS, CPA

Management letter

To the Board of Directors  
Alzheimer's Community Care, Inc. and Subsidiary  
West Palm Beach, Florida

In planning and performing our audit of the consolidated financial statements of Alzheimer's Community Care, Inc. and Subsidiary (the "Organization") as of and for the year ended June 30, 2019, in accordance with U.S. generally accepted auditing standards, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Organization's internal control to be a significant deficiency:

2019-002 Recording of Case Management Hours

We noted two instances in our testing of billings for services in which case management hours were recorded on the daily attendance sheets and the correct number of hours were entered into the ADS system, but the "billable" field was not properly checked in the ADS system. While this did not affect the amounts billed for purposes of the state grant, the Organization's system should be properly recording all data. We recommend that adequate training be provided to the Organization's staff and that an appropriate review process be instituted to ensure that entries are properly recorded in the ADS system.

In addition, we offer the following comments relating to Information Technology (IT) issues, which are not control deficiencies, that should be considered.

***Monitoring and Maintenance of User Accounts***

We noted multiple user accounts that have passwords that were set to never expire and have not been changed in several years. We recommend that all passwords be set to expire in accordance with the Organization's policy. In addition, we noted multiple active user accounts that have not logged into the network in over 30 days. We recommend that such accounts be investigated to determine if the accounts relate to individuals that are no longer employed with the Organization, in which case they should be deleted.

The Organization's "administrator" account has not had its password changed in approximately nine years. We recommend that this password be changed in accordance with the Organization's policy, but no less than once a year.

***Hardware Monitoring***

We noted that critical server and storage area network systems are not monitored for hardware failures or alerts. We recommend that the Organization evaluate the various software programs available for monitoring such hardware. These programs can help identify problems and minimize system downtime.

***Monitoring of Software and Hardware***

The Organization has Windows 7 desktops and Windows 2008 servers whose software will no longer be supported after the end of 2019. It is our understanding that these systems are scheduled to be replaced before the end of the year. We recommend that such systems be monitored to ensure they are replaced in a timely manner.

Certain critical servers and storage area network systems are no longer under warranty. While the hardware may still be usable, the older the equipment gets and the further out of warranty it is, the more difficult it may be to obtain spare parts in the event of a failure. This may expose the Organization to downtime for critical system components. We recommend that management establish a policy to evaluate extended warranties or replace equipment at the end of warranty periods.

***Ransomware***

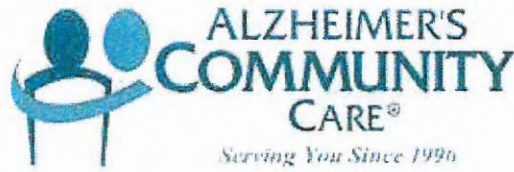
The Organization does not appear to have any ransomware specific preventative systems in place. Solutions such as a security "honeypot", proactive ransomware/malware systems or HTTPS decryption and scanning at the firewall should be implemented.

***Emergency Plan***

Currently, there is no written plan for a failover site in the event of an emergency. We recommend that a formal written plan be developed.

This communication is intended solely for the information and use of the Board of Directors, management, and others within the Organization and is not intended to be, and should not be, used by anyone other than these specified parties.

*Caleb Dauter, Levine,  
Cohen, Porter & Veil, P.A.*



## Management Letter Response

By: Mary M. Barnes

Michael Valdes

November 14, 2019

### Case Management

#### **I. 2019-002 Recording of Case Management Hours**

- a. Finding: We noted two instances in our testing of billings for services in which case management hours were recorded on the daily attendance sheets and the correct number of hours were entered into the ADS system, but the "billable" field was not properly checked in the ADS System. While this did not affect the amounts billed for purposes of the state grant, the Organization's system should be properly recording all data. We recommend that adequate training be provided to the Organization's staff and that an appropriate review be instituted to ensure that entries are properly recorded in the ADS system.
- b. Response: The Organization's staff is trained on the proper recording of all data. Staff inadvertently missed the check box for these notes. This process was reviewed with staff to ensure the check box on "billable" notes would be properly marked for future billing.

### Information Technology Recommendations:

#### **I. Monitoring and Maintenance of User Accounts:**

- a. Finding: We noted multiple user accounts that have passwords that were set to never expire and have not been changed in several years. We recommend that all passwords be set to expire in accordance with the Organization's policy. In addition, we noted multiple active user accounts that have not logged into the network in over 30 days. We recommend that such accounts be investigated to determine if the accounts relate to individuals that are no longer employed with the Organization, in which case they should be deleted.

The Organization's "administrator" account has not had its password changed in approximately nine years. We recommend that his password be changed in accordance with the Organization's policy but no less than once a year.

- b. Response: User accounts are needed to be active in order to have their emails forwarded to the appropriate staff that is responsible for their duties. The accounts have remained open in order to complete a cycle of activities for that position. We have determined that the CEO/COO should remain open for up to 3 to 4 years; VPs for up to 2 to 3 years; Directors and Managers for 1 to 2 years; the remaining staff up to 1 year.

The "administrator" password has been put into cycle to be updated every 45 days.

II. **Hardware Monitoring:**

- a. *Finding:* We noted that critical server and storage area network systems are not monitored for hardware failures or alerts. We recommend that the Organization evaluate the various software programs available for monitoring such hardware. These programs can help identify problems and minimize system downtime.
- b. *Response:* Monitoring will be put into place after the servers are upgraded. These servers are being upgraded and should be complete by 12/31/2019.

III. **Monitoring of Software and Hardware:**

- a. *Finding:* The Organization has Window 7 desktops and Windows 2008 servers whose software will no longer be supported after the end of 2019. It is our understanding that these systems are scheduled to be replaced before the end of the year. We recommend that such systems be monitored to ensure they are replaced in a timely manner.

Certain critical servers and storage area network systems are no longer under warranty. While the hardware may still be usable, the older the equipment get and the further out of warranty it is, the more difficult it may be to obtain spare parts in the event of a failure. This may expose the Organization to downtime for critical system components. We recommend that management establish a policy to evaluate extended warranties or replace equipment at the end of warranty periods.

- b. *Response:* All desktops are in the process of being upgraded as required by our 4-year retirement of hardware practice. All desktops that have been placed into service over the past few years have come preinstalled with Windows 10. All other machines will be upgraded from Windows 7 to Windows 10 by 12/31/2019. The upgraded servers are coming preinstalled with Windows 2019 and will be in service by 12/31/2019.

Extending the warranty have been reviewed for the desktops. Desktop warranties expire after 3 year and their replacement is within the next year after expiration. We have not experienced the cost of repairs which would justify an extended warranty. With the current replacement of the server, we will evaluate it the extension of its warranty at expiration.

IV. **Ransomware:**

- a. *Finding:* The Organization does not appear to have any ransomware specific preventative systems in place. Solutions such as security "honeypot", proactive ransomware/malware systems or HTTPS decryption and scanning at the firewall should be implemented.
- b. *Response:* We will work with our Computer Back up firm (KDT) to research solutions. Our Electronic Health Records (EHR), Finance Records, and email are hosted off site. The records that are at risk our daily Word, Excel, Power Point, and PDF documents. These records are backed up daily and, once a week, a copy is taken off site for storage. At any point, KDT could restore our data if this should occur.



V. **Emergency Plan:**

- a. Finding: Currently, this is no written plan for a failover site in the event of an emergency. We recommend that a formal written plan be developed.
- b. Response: The Organization has 14 sites to establish a failover site in the event of an emergency. We will utilize the S. County FNC Office and Towers Office prior to utilizing any of the centers. We will create a written plan prior to 12/31/2019.