

ALZHEIMER'S LOS ANGELES



FINANCIAL STATEMENTS

JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Alzheimer's Los Angeles

Opinion

We have audited the accompanying financial statements of Alzheimer's Los Angeles (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2023, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alzheimer's Los Angeles as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Alzheimer's Los Angeles and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Alzheimer's Los Angeles' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITORS' REPORT

continued

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Alzheimer's Los Angeles' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alzheimer's Los Angeles' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Report on Summarized Comparative Information

We have previously audited Alzheimer's Los Angeles' 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 26, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023, on our consideration of Alzheimer's Los Angeles' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Alzheimer's Los Angeles' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alzheimer's Los Angeles' internal control over financial reporting and compliance.

Harrington Group

Pasadena, California

October 16, 2023

ALZHEIMER'S LOS ANGELES

STATEMENT OF FINANCIAL POSITION

June 30, 2023

With comparative totals at June 30, 2022

| | 2023 | 2022 |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 527,906 | \$ 1,550,410 |
| Grants receivable - government, state, and federal | 598,494 | 344,814 |
| Grants receivable - other | - | 13,068 |
| Other receivables | 107,744 | 99,464 |
| Accrued interest | 26,704 | 25,488 |
| Pledges receivable (Note 4) | 984,759 | 787,771 |
| Investments (Note 5) | 8,972,199 | 7,876,487 |
| Prepaid expenses | 124,888 | 238,152 |
| Land held for investment | 5,000 | 5,000 |
| Right-of-use assets - operating lease (Note 9) | 350,879 | - |
| Property and equipment - net (Note 7) | 300,225 | 204,748 |
| | 11,998,798 | 11,145,402 |
| | \$ 11,998,798 | \$ 11,145,402 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 287,376 | \$ 97,488 |
| Accrued liabilities (Note 8) | 511,931 | 643,207 |
| Deferred grant revenue (Note 2) | 56,023 | 32,351 |
| Operating lease liabilities (Note 9) | 421,177 | - |
| | 1,276,507 | 773,046 |
| | 1,276,507 | 773,046 |
| NET ASSETS | | |
| Without donor restrictions | 9,075,402 | 7,641,302 |
| With donor restrictions (Note 11) | 1,646,889 | 2,731,054 |
| | 10,722,291 | 10,372,356 |
| | 10,722,291 | 10,372,356 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 11,998,798 | \$ 11,145,402 |

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

ALZHEIMER'S LOS ANGELES

STATEMENT OF ACTIVITIES

For the year ended June 30, 2023

With comparative totals for the year ended June 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | 2023 | 2022 |
|---|-------------------------------|----------------------------|---------------|---------------|
| PUBLIC SUPPORT AND REVENUE | | | | |
| Contributions | \$ 3,342,415 | \$ 894,283 | \$ 4,236,698 | \$ 7,049,336 |
| Government grants (Note 12) | 1,410,932 | | 1,410,932 | 1,239,147 |
| Special events | 294,202 | 906,010 | 1,200,212 | 1,023,031 |
| Gifts in kind | 987,000 | | 987,000 | 598,000 |
| Other | 43,849 | | 43,849 | 48,095 |
| Program service and educational workshop fees | 54,473 | | 54,473 | 9,067 |
| Sales of merchandise | 620 | | 620 | 338 |
| Net assets released from restrictions (Note 11) | 2,884,458 | (2,884,458) | - | - |
| TOTAL PUBLIC SUPPORT AND REVENUE | 9,017,949 | (1,084,165) | 7,933,784 | 9,967,014 |
| EXPENSES | | | | |
| Program services | 6,560,851 | | 6,560,851 | 5,268,853 |
| Support services | 1,719,926 | | 1,719,926 | 1,676,764 |
| TOTAL EXPENSES | 8,280,777 | - | 8,280,777 | 6,945,617 |
| OTHER CHANGES | | | | |
| Investment gain (loss) - net (Note 5) | 696,928 | | 696,928 | (911,371) |
| Forgiveness of paycheck protection program loan | | | - | 794,468 |
| TOTAL OTHER CHANGES | 696,928 | - | 696,928 | (116,903) |
| CHANGE IN NET ASSETS | 1,434,100 | (1,084,165) | 349,935 | 2,904,494 |
| NET ASSETS, BEGINNING OF YEAR | 7,641,302 | 2,731,054 | 10,372,356 | 7,467,862 |
| NET ASSETS, END OF YEAR | \$ 9,075,402 | \$ 1,646,889 | \$ 10,722,291 | \$ 10,372,356 |

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

ALZHEIMER'S LOS ANGELES

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2023

With comparative totals for the year ended June 30, 2022

| | Program Services | | | | | Total Program Services |
|---------------------------------------|--|----------------------------------|--------------------------|-----------------------------|-------------------------|---------------------------------------|
| | Family Education and Services | Professional Training | Public Policy | Public Awareness | Research | |
| Salaries | \$ 1,983,430 | \$ 322,221 | \$ 249,272 | \$ 549,666 | \$ - | \$ 3,104,589 |
| Payroll taxes and employee benefits | 389,162 | 62,758 | 48,827 | 107,777 | - | 608,524 |
| Total personnel costs | <u>2,372,592</u> | <u>384,979</u> | <u>298,099</u> | <u>657,443</u> | - | <u>3,713,113</u> |
| Printing and publications | 79,749 | 2,725 | 436 | 1,114,020 | - | 1,196,930 |
| Contract labor | 385,628 | 87,164 | 4,059 | 12,254 | - | 489,105 |
| Conferences, conventions and meetings | 14,403 | 1,513 | 5,826 | 173,579 | - | 195,321 |
| Occupancy, utilities, and insurance | 257,906 | 21,920 | 18,906 | 49,652 | - | 348,384 |
| Grants and allocations | 208,632 | | 8,040 | | 75,000 | 291,672 |
| Equipment rental and maintenance | 94,627 | 6,933 | 8,141 | 28,868 | - | 138,569 |
| Telephone | 54,893 | 5,307 | 4,476 | 11,112 | - | 75,788 |
| Depreciation and amortization | 38,235 | 3,922 | 3,381 | 8,534 | - | 54,072 |
| Travel | 15,480 | 818 | 1,888 | 3,330 | - | 21,516 |
| Postage and shipping | 2,916 | 29 | | 12,773 | - | 15,718 |
| Office and other supplies | 7,604 | 1,159 | 179 | 1,393 | - | 10,335 |
| Miscellaneous | 2,316 | 4,200 | | 68 | - | 6,584 |
| Taxes and licenses | 1,183 | 93 | 81 | 238 | - | 1,595 |
| Staff recruitment | 1,821 | 282 | | 46 | - | 2,149 |
| TOTAL 2023 FUNCTIONAL EXPENSES | <u>\$ 3,537,985</u> | <u>\$ 521,044</u> | <u>\$ 353,512</u> | <u>\$ 2,073,310</u> | <u>\$ 75,000</u> | <u>\$ 6,560,851</u> |
| TOTAL 2022 FUNCTIONAL EXPENSES | <u>\$ 2,744,097</u> | <u>\$ 517,045</u> | <u>\$ 429,429</u> | <u>\$ 1,493,333</u> | <u>\$ 84,949</u> | <u>\$ 5,268,853</u> |

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

ALZHEIMER'S LOS ANGELES

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2023

With comparative totals for the year ended June 30, 2022

continued

| | Support Services | | Total Support Services | Total Expenses | |
|---------------------------------------|---------------------------|---------------------|------------------------------|---------------------|---------------------|
| | Management and General | Fundraising | | 2023 | 2022 |
| Salaries | \$ 181,471 | \$ 650,008 | \$ 831,479 | \$ 3,936,068 | \$ 3,411,498 |
| Payroll taxes and employee benefits | 38,949 | 127,658 | 166,607 | 775,131 | 719,233 |
| Total personnel costs | 220,420 | 777,666 | 998,086 | 4,711,199 | 4,130,731 |
| Printing and publications | 1,503 | 75,351 | 76,854 | 1,273,784 | 809,604 |
| Contract labor | 66,239 | 41,419 | 107,658 | 596,763 | 265,863 |
| Conferences, conventions and meetings | 3,466 | 326,074 | 329,540 | 524,861 | 411,034 |
| Occupancy, utilities, and insurance | 17,523 | 49,596 | 67,119 | 415,503 | 415,842 |
| Grants and allocations | | | - | 291,672 | 398,696 |
| Equipment rental and maintenance | 8,692 | 42,556 | 51,248 | 189,817 | 159,030 |
| Telephone | 4,125 | 11,778 | 15,903 | 91,691 | 105,932 |
| Depreciation and amortization | 3,094 | 8,486 | 11,580 | 65,652 | 75,305 |
| Travel | 1,142 | 12,944 | 14,086 | 35,602 | 13,257 |
| Postage and shipping | 795 | 13,705 | 14,500 | 30,218 | 24,756 |
| Interest and bank charges | | 27,055 | 27,055 | 27,055 | 26,130 |
| Office and other supplies | 579 | 1,123 | 1,702 | 12,037 | 15,516 |
| Miscellaneous | 3,080 | 839 | 3,919 | 10,503 | 7,322 |
| Taxes and licenses | 95 | 581 | 676 | 2,271 | 668 |
| Staff recruitment | | | - | 2,149 | 85,370 |
| Cost of books and materials sold | | | - | - | 561 |
| TOTAL 2023 FUNCTIONAL EXPENSES | \$ 330,753 | \$ 1,389,173 | \$ 1,719,926 | \$ 8,280,777 | |
| TOTAL 2022 FUNCTIONAL EXPENSES | \$ 361,667 | \$ 1,315,097 | \$ 1,676,764 | | \$ 6,945,617 |

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

ALZHEIMER'S LOS ANGELES

STATEMENT OF CASH FLOWS

For the year ended June 30, 2023

With comparative totals for the year ended June 30, 2022

| | 2023 | 2022 |
|--|--------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 349,935 | \$ 2,904,494 |
| Adjustments to reconcile change in net assets to net cash (used) provided by operating activities: | | |
| Depreciation and amortization | 65,652 | 75,305 |
| Forgiveness of paycheck protection program loan | - | (794,468) |
| (Gain) loss on investments | (485,562) | 1,095,081 |
| Amortization of right-of-use assets - operating lease | 328,456 | - |
| Payments on operating lease liabilities | (258,158) | - |
| (Increase) decrease in operating assets: | | |
| Grants receivable | (240,612) | 275,531 |
| Other receivables | (8,280) | (70,889) |
| Accrued interest | (1,216) | (6,964) |
| Pledges receivable | (196,988) | 517,229 |
| Prepaid expenses | 113,264 | (73,120) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued liabilities | 58,612 | (30,396) |
| Deferred revenue | 23,672 | (100,768) |
| | (251,225) | 3,791,035 |
| CASH FLOWS TO INVESTING ACTIVITIES: | | |
| Proceeds from sale of investments | 1,600,000 | 200,001 |
| Purchase of investments | (2,000,000) | (3,000,000) |
| Interest and dividend income reinvested | (210,150) | (176,746) |
| Purchase of property and equipment | (161,129) | (8,504) |
| | (771,279) | (2,985,249) |
| NET (DECREASE) INCREASE IN CASH | (1,022,504) | 805,786 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 1,550,410 | 744,624 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 527,906 | \$ 1,550,410 |
| SUPPLEMENTAL DISCLOSURES: | | |
| Non-cash operating and financing activity: | | |
| Right-of-use assets/liability from adoption of ASC 842 | \$ 679,335 | \$ - |

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

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

1. Organization

Alzheimer's Los Angeles' ("ALZLA") mission is to improve the lives of local families affected by Alzheimer's and dementia by increasing awareness, delivering effective programs and services, providing compassionate support, advocating for quality care and a cure, and supporting local research. 100% of money raised funds free care and services delivered in the Los Angeles Community.

Service Model

ALZLA has resumed delivering in-person services in accordance with public health guidelines. This traditional approach is augmented by electronic service delivery which has made it possible to reach many new clients whose care giving duties make it difficult to travel to receive services in person. This service delivery methodology allows ALZLA to deploy a hybrid work model in which employees can make personal choices about working arrangements that accommodate their job requirements and their personal circumstances.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

With Donor Restrictions. Net assets are subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

ALZLA has defined cash and cash equivalents as highly-liquid investments with maturities of three months or less when purchased, and not held for investment purposes.

continued

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Grants and Pledges Receivable

Grants receivable and unconditional pledges are reported as assets and as revenues or gains in the period in which the grant or pledge is received. An allowance for uncollectible grants and pledges is recorded based on an analysis of collection histories and on a review of the credit worthiness of grantors and donors. Based on management's estimate, no allowance for doubtful grants or pledges was recorded for the year ended June 30, 2023. The effective interest rate for the discount on receivables due in more than one year is based on market interest rates in effect at the time of the pledges. During the year ended June 30, 2023 only one new multi-year pledge was received. On May 25, 2023 a \$1,000,000 pledge to be paid over 5 years was received from the Saul and Joyce Brandman Foundation. As of that date the interest rate on a 10-year US Treasury Note was 3.78%. Therefore, this discount rate was used to calculate the present value of \$929,759 that was recorded as the amount of the Brandman Foundation pledge.

Accounts Receivable

ALZLA uses the allowance method in order to reserve for potentially uncollectible accounts receivable.

Investments

ALZLA values its investments at fair value based on quoted market prices. Realized and unrealized gains and losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as investment income. Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs – quoted prices in active markets for identical assets

Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs – estimates using the best information available when there is little or no market

ALZLA is required to measure certain investments and in-kind contributions at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

continued

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Concentration of Credit Risk

Financial instruments, which potentially subject ALZLA to a concentration of credit risk, consist of cash, and accounts and grants receivable.

ALZLA maintains its cash balances at American Business Bank. These accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") or are backed by a federal state government agency. At times, cash balances may exceed FDIC insurance limits.

The risk with respect to accounts and grants receivable is considered low because they are from established governmental programs or from major charities, corporations and foundations.

Property and Equipment

Property and equipment are recorded at cost if purchased, or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than five years.

Donated Materials and Services

Non-cash contributions of materials are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of non-cash services that create or enhance non-financial assets or that require specialized skills are recorded at fair value in the period received. These services are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, hence they are recorded at fair value in the period received. For the year ended June 30, 2023, ALZLA received \$987,000 of donated advertising services used to build awareness, which met the criteria for recognition. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Management estimates that 155 volunteers have donated in excess of 1,972 hours answering help-line telephones, assisting with special events and providing other non-specialized administrative services. However, since there is no objective basis for measuring and valuing these services, they are not reflected in the accompanying financial statements.

Income Taxes

ALZLA is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all the positions taken by ALZLA in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. ALZLA's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

continued

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses

Costs of providing ALZLA's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. ALZLA uses a combination of relative square footage and salary costs to allocate indirect costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements

On July 1, 2022, ALZLA adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases*, (Topic 842), which requires lessees to recognize leases on the Statement of Financial Position and disclose key information about leasing arrangements effective July 1, 2022. ALZLA elected not to restate the comparative period (Fiscal year 2022). ALZLA also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, ALZLA recognized Right-of-Use ("ROU") assets of \$679,335 and lease liabilities totaling \$679,335 in its Statement of Financial Position as of July 1, 2022. The discount rate used to record the ROU asset and lease liability at the transition date of July 1, 2022, was 7.83%. The adoption did not effect the amounts reported in the Statement of Activities for the year ended June 30, 2023.

Leases

ALZLA applies Accounting Standards Codification ("ASC") 842, *Leases*, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant, or equipment for a period of time in excess of twelve months in exchange for consideration. ALZLA defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. ALZLA further determined some existing leases are operating leases, which are included in ROU assets and lease liabilities in the Statement of Financial Position.

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue and Revenue Recognition

ALZLA recognizes contributions when cash, securities, or other assets, an unconditional promise to give, or a notification of beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Consequently, on June 30, 2023, contributions approximating \$44,939, have not been recognized in the accompanying Statement of Activities because the condition(s) on which they depend has not yet been met. Of the total conditional contributions, \$44,939 will be met by June 30, 2024.

A portion of ALZLA's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when ALZLA has incurred expenditures in compliance with a specific contract or grant provisions. Amounts received before incurring qualifying expenditures are reported as deferred revenue in the Statement of Financial Position. ALZLA received cost-reimbursable grants of \$11,084 that have not been recognized on June 30, 2023 because qualifying expenditures have not yet been incurred, with an advance payment of \$11,084 recognized in the Statement of Financial Position as deferred revenue, and was not recognized in the Statement of Activities.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with ALZLA's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through October 16, 2023, the date which the financial statements were available for issue. No events or transactions have occurred during this period that require recognition or disclosure in the financial statements.

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources

ALZLA defines general expenditures to include expenses from all functional categories and from all funds. ALZLA receives as much as \$1 million of contributions each year that are broadly restricted to family and education services, which include the vast majority of all program expenses. Therefore, significant balances of restricted assets are used to meet current obligations.

As of June 30, 2023, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Financial assets at year ended June 30, 2023:

| | |
|--|---------------------|
| Investments, gross | \$ 8,972,199 |
| Pledges receivable | 984,759 |
| Cash and cash equivalents | 527,906 |
| Other receivables | <u>107,744</u> |
| Total financial assets | <u>10,592,608</u> |
| Less amounts not available to be used in operations: | |
| Pledges with liquidity horizons greater than one year | <u>(734,759)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 9,857,849</u> |

4. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. Management has deemed these pledges collectible. Accordingly, no allowance for doubtful accounts has been established for uncollectible pledges. Lastly, all pledges are valued at their estimated fair value at June 30, 2023. Total amount of pledges receivable at June 30, 2023, of \$984,759 is expected to be collected as follows:

| | |
|--|------------------|
| <u>Year ending June 30,</u> | |
| 2024 | \$250,000 |
| 2025 | 197,715 |
| 2026 | 185,696 |
| 2027 | 178,932 |
| 2028 | <u>172,416</u> |
| Pledges receivable at June 30, 2023 | <u>\$984,759</u> |
| Pledges receivable | |
| With donor restrictions to programs and services | <u>\$729,759</u> |
| Without donor restrictions | <u>\$255,000</u> |

continued

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

5. Investments

Investments at June 30, 2023 consist of the following:

| | |
|---------------------------|--------------------|
| Cash and cash equivalents | \$ 76,701 |
| Fixed income | |
| Corporate bonds | 2,459,565 |
| U.S. treasuries | 2,121,606 |
| Asset backed securities | 149,657 |
| Equities | 3,878,655 |
| Exchange traded funds | 232,839 |
| Equity funds | 24,085 |
| Other assets | <u>29,091</u> |
| Total investments | <u>\$8,972,199</u> |

These amounts are not necessarily indicative of the amounts ALZLA could realize in a current market exchange. ALZLA's investment portfolio is actively managed by professional investment advisers. The investment advisers routinely sell and purchase investments to achieve the desired portfolio mix and holdings.

The investment returns (loss) for the year ended June 30, 2023 consist of the following:

| | |
|--------------------------------|-------------------|
| Interest and dividend income | \$ 210,150 |
| Realized loss - net | (168,450) |
| Change in value of investments | <u>713,353</u> |
| | 755,053 |
| Investment expenses | <u>(58,125)</u> |
| Net investment gain | <u>\$ 696,928</u> |

continued

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

6. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2023 on a recurring basis:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------|--------------------|----------------|----------------|--------------------|
| Fixed income: | | | | |
| Corporate bonds | \$2,459,565 | \$ - | \$ - | \$2,459,565 |
| U.S. treasuries | 2,121,606 | | | 2,121,606 |
| Asset backed securities | 149,657 | | | 149,657 |
| Equities | 3,878,655 | | | 3,878,655 |
| Exchange traded funds | 232,839 | | | 232,839 |
| Equity funds | 24,085 | | | 24,085 |
| Other assets | <u>29,091</u> | | | <u>29,091</u> |
| | <u>\$8,895,498</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$8,895,498</u> |

The fair values of fixed income, equities, exchange traded funds, and other assets have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2023:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|------------------|----------------|------------------|----------------|------------------|
| Donated services | <u>\$ -</u> | <u>\$987,000</u> | <u>\$ -</u> | <u>\$987,000</u> |

The fair value of donated services has been measured on a non-recurring basis using quoted prices for similar services in active markets (Level 2 inputs).

7. Property and Equipment

Property and equipment at June 30, 2023 consist of the following:

| | |
|--------------------------------------|-------------------|
| Office equipment | \$ 421,129 |
| Branding, trademarks, and copyrights | 232,345 |
| Furniture and fixtures | 37,130 |
| Leasehold improvements | <u>13,404</u> |
| | 704,008 |
| Less: accumulated depreciation | <u>(403,783)</u> |
| | <u>\$ 300,225</u> |

Depreciation expense for the year ended June 30, 2023 was \$65,652.

continued

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

8. Accrued Liabilities

Accrued liabilities at June 30, 2023 consist of the following:

| | |
|--|------------------|
| Accrued vacation | \$322,665 |
| Accrued payroll including taxes and retirement plan contribution | 84,538 |
| Other | <u>104,728</u> |
| | <u>\$511,931</u> |

9. Right-of-Use Assets - Operating Leases

ALZLA evaluated current contracts to determine which met the criteria of a lease. ROU assets represent ALZLA's right to use underlying assets for the lease term, and the lease liabilities represent ALZLA's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. ALZLA used the rate implicit in the lease. Lease terms, in the calculations, may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term.

ALZLA's lease for the Wilshire office has \$786,670 of lease payments remaining, has no purchase option and expires in August of 2024, therefore it will be treated as a capitalizable operating lease. Using the 7.83% borrowing rate, the present value of the remaining Wilshire Lease payments as of July 1, 2022 was \$679,335.

The ROU assets and lease liabilities for these leases were determined based on the current terms in force as of June 30, 2023. No additional options have been included.

Cash paid for these operating leases for the year ended June 30, 2023 was \$340,152. There were no non-cash financing transactions related to leasing during the year ended June 30, 2023.

Future maturities under operating leases are as follows:

| | |
|------------------------------|------------------|
| <u>Year ending June 30,</u> | |
| 2024 | \$406,340 |
| 2025 | <u>64,040</u> |
| | 470,380 |
| Less: Present value discount | <u>(49,203)</u> |
| | <u>\$421,177</u> |

Lease expense under operating leases for the year ended June 30, 2023 was \$322,388.

continued

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

10. Commitments and Contract Contingencies

Contracts

ALZLA's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, ALZLA has made no provision for the possible disallowance of program costs on its financial statements.

Risks

ALZLA invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that change in the values of investment securities may occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

11. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2023 consist of the following:

For purpose restrictions:

| | |
|-------------------------------|--------------------|
| Family education and services | \$1,031,055 |
| Research | 538,934 |
| Professional training | 72,796 |
| Administration | <u>4,104</u> |
| | <u>\$1,646,889</u> |

For the year ended June 30, 2023, net assets released from time and purpose restrictions were \$2,884,458.

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

12. Revenue from Government Agencies

Government grants for the year ended June 30, 2023 consist of the following:

| | |
|------------------------------------|--------------------|
| Senior Services | \$ 862,242 |
| Dementia Caregiver Support Project | 512,113 |
| Geriatrics Workforce Enhancement | 25,000 |
| Coordinated Care | <u>11,577</u> |
| | <u>\$1,410,932</u> |

Senior services revenue consists of federal, counties, and city funds that contractually require matching amounts from ALZLA. The breakdown of the \$862,242 and \$265,335 of matching amounts that derive from contributions, is as follows:

| <u>Agency</u> | <u>Senior Services</u> | <u>Match</u> | <u>Total Costs</u> |
|-------------------------------------|------------------------|------------------|--------------------|
| City of Los Angeles | \$244,386 | \$ 81,541 | \$ 325,927 |
| City of Los Angeles Cares Act | 188,109 | 73,053 | 261,162 |
| Administration for community living | 406,413 | 110,741 | 517,154 |
| Others | <u>23,334</u> | | <u>23,334</u> |
| | <u>\$862,242</u> | <u>\$265,335</u> | <u>\$1,127,577</u> |

13. Trust Income

ALZLA receives distributions of income from the Sally Gail Lindsey Trust ("the Trust"). In 2009, upon Ms. Lindsey's death, ALZLA became sole beneficiary of the Trust, and as such is entitled to distributions of income from the Trust as long as ALZLA remains in existence. The Trust agreement does not include any provisions for amendments subsequent to Ms. Lindsey's passing, and the Trustee (Key Bank of Cleveland, Ohio) has been instructed to hold and administer the property of the Trust as a single fund for the benefit of ALZLA, distributing all of the net income of the Trust to ALZLA in quarterly or more frequent intervals. A total of \$1,292,161 was received by ALZLA for the year ended June 30, 2023.

14. Joint Costs

ALZLA achieves some of its programmatic goals through direct mail and awareness events that include requests for contributions. During the year ended June 30, 2023 the cost of these activities included joint costs of \$618,127, that are not directly attributable to either the program or the fund-raising component of the activities. The costs were allocated as follow:

| | |
|------------------|------------------|
| Public awareness | \$525,573 |
| Fundraising | <u>92,554</u> |
| Total | <u>\$618,127</u> |

continued

ALZHEIMER'S LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

15. Employee Benefit Plans

ALZLA maintains a defined contribution retirement plan which covers substantially all employees meeting minimum service requirements. Employees may make voluntary contributions up to 25% of their salaries. ALZLA makes matching employer contributions of between one and five percent of salary based on employee elections. Employer contributions to the plan were \$173,075 for the year ended June 30, 2023.

ALZLA also maintains a defined contribution plan which suspended employer contributions as of November 1, 2008.