

RESPITE AND RESEARCH FOR  
ALZHEIMER'S DISEASE

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

EMERITUS

Alexander W. Berger (1916-2005)  
Griffith R. Lewis

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Respite and Research for  
Alzheimer's Disease  
San Jose, California

We have audited the accompanying statement of financial position of Respite and Research for Alzheimer's Disease as of June 30, 2012 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's financial statements for the year ended June 30, 2011 and, in our report dated August 15, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Respite and Research for Alzheimer's Disease as of June 30, 2012 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Berger Lewis Accountancy Corporation*

BERGER LEWIS ACCOUNTANCY CORPORATION  
San Jose, California  
August 17, 2012

RESPITE AND RESEARCH FOR ALZHEIMER'S DISEASE  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2012 AND 2011

	2012			2011	
	Operating Fund	Temporarily Restricted	Building & Equipment Fund	TOTAL ALL FUNDS	
<u>ASSETS</u>					
Cash - - - - -	\$ 100,156	\$ 6,854	\$ -	\$ 107,010	\$ 112,606
Investments (Note 2) - - - - -	1,015,529	-	-	1,015,529	1,557,608
Accounts receivable - - - - -	4,183	-	-	4,183	7,792
Grants receivable - - - - -	57,931	-	-	57,931	80,983
Prepaid expenses and other assets - - - - -	14,421	-	-	14,421	68,111
Building and equipment net of depreciation (Note 3) - -	-	-	1,912,020	1,912,020	1,760,128
<b>TOTAL ASSETS - - - - -</b>	<b>\$ 1,192,220</b>	<b>\$ 6,854</b>	<b>\$ 1,912,020</b>	<b>\$ 3,111,094</b>	<b>\$ 3,587,228</b>
<u>LIABILITIES AND NET ASSETS</u>					
Liabilities:					
Accounts payable - - - - -	\$ 18,137	\$ -	\$ -	\$ 18,137	\$ 14,377
Accrued expenses - - - - -	126,163	-	-	126,163	104,773
Deferred revenue - - - - -	18,259	-	-	18,259	3,667
<b>TOTAL LIABILITIES - - - - -</b>	<b>162,559</b>	<b>-</b>	<b>-</b>	<b>162,559</b>	<b>122,817</b>
Unrestricted net assets:					
Unrestricted - - - - -	1,029,661	-	-	1,029,661	1,696,549
Invested in building and equipment - - - - -	-	-	1,912,020	1,912,020	1,760,128
<b>Total unrestricted net assets - - - - -</b>	<b>1,029,661</b>	<b>-</b>	<b>1,912,020</b>	<b>2,941,681</b>	<b>3,456,677</b>
Temporarily restricted net assets (Note 5) - - - - -	-	6,854	-	6,854	7,734
<b>TOTAL NET ASSETS - - - - -</b>	<b>1,029,661</b>	<b>6,854</b>	<b>1,912,020</b>	<b>2,948,535</b>	<b>3,464,411</b>
<b>TOTAL LIABILITIES AND NET ASSETS - - - - -</b>	<b>\$ 1,192,220</b>	<b>\$ 6,854</b>	<b>\$ 1,912,020</b>	<b>\$ 3,111,094</b>	<b>\$ 3,587,228</b>

The accompanying notes are an integral part of this statement.

RESPITE AND RESEARCH FOR ALZHEIMER'S DISEASE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Total	
			2012	2011
<b><u>SUPPORT AND REVENUE</u></b>				
Support:				
Contributions (including in-kind - \$0 - 2012, \$22,800 - 2011)	-	-	\$ 118,597	\$ 197,438
Total support	-	-	<u>118,597</u>	<u>197,438</u>
Revenue:				
Governmental fees and grants (Note 1)	-	-	333,825	394,185
Program fees	-	-	1,015,320	925,078
Investment income	-	-	(50,358)	303,959
Total revenue	-	-	<u>1,298,787</u>	<u>1,623,222</u>
Total support and revenue	-	-	<u>1,417,384</u>	<u>1,820,660</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	-	-	4,368	-
TOTAL SUPPORT AND REVENUE	-	-	<u>1,421,752</u>	<u>1,820,660</u>
<b><u>EXPENSES</u></b>				
Program Services:				
Rosa Elena Childcare Center	-	-	214,529	260,119
Edmondson Living Center	-	-	282,316	37,411
Alzheimer's Activity Center	-	-	1,211,609	1,262,460
Total Program Services	-	-	<u>1,708,454</u>	<u>1,559,990</u>
Supporting Services:				
Management and General	-	-	222,958	166,693
Fund Development	-	-	5,336	26,156
Total Supporting Services	-	-	<u>228,294</u>	<u>192,849</u>
TOTAL EXPENSES	-	-	<u>1,936,748</u>	<u>1,752,839</u>
CHANGE IN NET ASSETS	-	-	(514,996)	67,821
NET ASSETS - JULY 1	-	-	<u>3,456,677</u>	<u>3,396,590</u>
NET ASSETS - JUNE 30	-	-	<u>\$ 2,941,681</u>	<u>\$ 3,464,411</u>

The accompanying notes are in integral part of this statement.

RESPIRE AND RESEARCH FOR ALZHEIMER'S DISEASE  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL EXPENSES	
	Rosa Elena Childcare Center	Edmondson Living Center	Alzheimer's Activity Center	Total	Management and General	Fund Development	Total	2012	2011
Salaries and wages	\$ 127,468	\$ 132,826	\$ 757,487	\$ 1,017,781	\$ 144,191	\$ 1,899	\$ 146,090	\$ 1,163,871	\$ 1,079,417
Payroll taxes	9,593	9,996	57,005	76,594	10,851	142	10,993	87,587	97,490
Employee benefits	26,519	12,221	114,303	153,043	32,461	445	32,906	185,949	162,315
TOTAL SALARIES AND RELATED EXPENSES	163,580	155,043	928,795	1,247,418	187,503	2,486	189,989	1,437,407	1,339,222
Professional fees (including in-kind services)	11,108	29,019	29,911	70,038	18,747	-	18,747	88,785	64,656
Supplies	6,226	18,705	22,249	47,180	847	-	847	48,027	38,712
Food	3,467	4,283	84,665	92,415	217	-	217	92,632	100,362
Telephone	908	2,049	3,791	6,748	421	-	421	7,169	6,854
Printing	317	259	2,105	2,681	111	2,781	2,892	5,573	4,304
Postage	568	96	2,597	3,261	282	-	282	3,543	3,768
Occupancy costs/ building maintenance	9,982	41,755	48,701	100,438	4,978	-	4,978	105,416	67,632
Equipment repairs, maintenance, small purchases	1,412	6,672	6,485	14,569	777	-	777	15,346	14,915
Insurance	2,523	1,656	10,038	14,217	1,199	-	1,199	15,416	22,089
Membership dues/licensing	1,041	4,757	4,586	10,384	320	-	320	10,704	5,142
Advertising	1,428	6,471	5,571	13,470	-	-	-	13,470	3,802
Miscellaneous	886	1,604	6,700	9,190	168	69	237	9,427	10,674
TOTAL EXPENSES BEFORE DEPRECIATION	203,446	272,369	1,156,194	1,632,009	215,570	5,336	220,906	1,852,915	1,682,132
Depreciation	11,083	9,947	55,415	76,445	7,388	-	7,388	83,833	70,707
TOTAL EXPENSES	\$ 214,529	\$ 282,316	\$ 1,211,609	\$ 1,708,454	\$ 222,958	\$ 5,336	\$ 228,294	\$ 1,936,748	\$ 1,752,839
Percentage of total	11.1%	14.6%	62.6%	88.2%	11.5%	0.4%	11.8%	100.0%	

The accompanying notes are an integral part of this statements.

RESPIRE AND RESEARCH FOR ALZHEIMER'S DISEASE  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Increase (decrease) in cash and cash equivalents		
<u>Cash flows provided (used) by operating activities</u>		
Change in net assets - - - - -	\$ (515,876)	\$ 67,821
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation - - - - -	83,833	70,707
Realized/unrealized (gains) losses		
on investments - - - - -	67,653	(280,043)
(Increase) decrease in assets:		
Receivables - - - - -	26,661	(20,325)
Prepaid expenses - - - - -	53,690	(46,421)
Increase (decrease) in liabilities:		
Accounts payable - - - - -	3,760	(31,432)
Accrued expenses - - - - -	21,390	27,749
Deferred revenue - - - - -	14,592	(4,701)
Total adjustments - - - - -	271,579	(284,466)
Net cash used by operating activities	(244,297)	(216,645)
<u>Cash flows provided (used) by investing activities:</u>		
Purchase of equipment/building improvements - - -	(235,725)	(199,022)
Loss on disposition of equipment - - - - -	-	-
Proceeds from sale of investments - - - - -	3,070,066	908,698
Purchase of investments - - - - -	(2,595,640)	(750,066)
Net cash provided (used) by investing activities	238,701	(40,390)
Net increase (decrease) in cash and cash equivalents	(5,596)	(257,035)
Cash and cash equivalents at beginning of year	112,606	369,641
Cash and cash equivalents at end of year	\$ 107,010	\$ 112,606

The accompanying notes are an integral part of this statement.

RESPITE AND RESEARCH FOR  
ALZHEIMER'S DISEASE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

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NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Respite and Research for Alzheimer's disease (the Organization) has operated for over 25 years with the mission of supporting those affected by Alzheimer's and other dementias. The Organization achieves its mission by creating a sense of community for clients, families, and caregivers through services at the Alzheimer's Activity Center, Rosa Elena Childcare Center, and Edmondson Living Center.

The Alzheimer's Activity Center is a large capacity dementia specific licensed therapeutic social adult day program.

Rosa Elena Childcare Center is a licensed preschool for children 2 yrs old to first grade.

The Edmondson Living Center is a dementia specific 14 bed licensed Residential Care Facility for the Elderly.

Community is created through the daily interactions of the children and adults who attend the Alzheimer's Activity Center and the residents of the Edmondson Living Center. The residents of the Edmondson Living Center attend the Alzheimer's Activity Center a minimum of three days a week.

Summary of Significant Accounting Policies

Basis of Presentation

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. The Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted Net Assets include the Operating Fund, Board Designated Funds and the Unrestricted Building and Equipment Fund. These funds record the net assets over which the Board of Directors has discretionary control and which are used to carry out operations of the Organization in accordance with its bylaws.

Included in this net asset class are the program facilities, which are located on land, owned by the County of Santa Clara (County). Such improvements revert to the County at the end of the lease - November 2037.

- Temporarily Restricted Net Assets include resources currently available for use, but expendable only for those operating purposes specified by the donor or funding source. Resources of this fund originate from gifts, grants and bequests. The Organization does not imply a time restriction on gifts of long lived assets.

RESPITE AND RESEARCH FOR  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

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NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Basis of Presentation (Continued)

- Permanently Restricted Net Assets include endowment funds and items of property and equipment which consist of gifts and bequests accepted with the donor stipulation that the principal or fixed asset item be restricted in perpetuity. There are currently no permanently restricted net assets.

Revenue Recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Grant revenue and program fees are recognized as revenue in the period in which the service is provided.

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the nature of donor restrictions if any. Restricted contributions are reported as increases in restricted net assets. When the restriction is met on a contribution received, the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Contributions In-Kind

Donated equipment is recorded at estimated fair market value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair market value at the time the services are rendered.

Grants

Grants to support the Organization's programs are received from federal, state, and local governments as well as corporations and foundations. Included in government fees and grants are amounts received from the City of San Jose (CDBG - \$45,752), County of Santa Clara (General Fund - \$37,453), Council on Aging: Family Caregiver Support Program (\$100,000), One Time Only Service Expansion (\$15,000).

Allowance for Doubtful Receivables

No allowance for doubtful receivables has been made at June 30 due to the fact that the Organization has not had sufficient write-off experience with bad debts to warrant such an allowance. When an account is deemed uncollectible it is charged against the related revenue account.

RESPITE AND RESEARCH FOR  
ALZHEIMER'S DISEASE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

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NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Cash & Cash Equivalents

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Building and Equipment

Building and equipment are recorded at cost or, if contributed, at the estimated fair market value when donated. It is the Organization's policy to capitalize items costing more than \$1,000. Depreciation is computed using the straight line method over an estimated useful life of five to seven years for equipment and 30 years for buildings and improvements. Depreciation is recorded as a decrease in unrestricted net assets and the expense is charged to the activity benefiting from the use of the facilities or equipment.

Prior Year Information

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Indirect Expense Allocations

Indirect expense allocations are based on the number of full time equivalent staff members in each activity.

Use of Estimates

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

Income Taxes

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation.

RESPIRE AND RESEARCH FOR  
ALZHEIMER'S DISEASE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

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NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Uncertainty in Income Taxes (Continued)

Uncertainty in Income Taxes - 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 of the positions taken by the Organization in their federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

The Organization's federal returns for the years ended June 30, 2012 and 2011 could be subject to examination by federal taxing authorities, generally for three years after they are filed. The Organization's state returns for the years ended June 30, 2012 and 2011 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

RESPIRE AND RESEARCH FOR  
ALZHEIMER'S DISEASE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

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NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Investments (Continued)

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

NOTE 2 - INVESTMENTS

All of the following investments are classified as Level 1 investments (See Note 1). The fair market value of investments as of June 30 is as follows:

	<u>2012</u>	<u>2011</u>
Mutual Funds	\$ 674,196	\$ 100,873
Exchange Traded and Closed End Funds	341,333	-
Common Stocks	-	1,070,703
Bonds	-	386,032
	<u>\$ 1,015,529</u>	<u>\$ 1,557,608</u>
Composition of Investment Income:		
Realized and unrealized gains (losses)	\$ (67,653)	\$ 280,043
Interest and dividends	32,855	44,947
Management fees	(15,560)	(21,031)
Total	<u>\$ (50,358)</u>	<u>\$ 303,959</u>

RESPITE AND RESEARCH FOR  
ALZHEIMER'S DISEASE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

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**NOTE 3 - BUILDING AND EQUIPMENT**

The cost or donated value of building and equipment at June 30 is as follows:

	<u>2012</u>	<u>2011</u>
Building and improvements	\$ 2,861,464	\$ 1,815,428
Office furniture and equipment	<u>220,592</u>	<u>116,850</u>
	3,082,056	1,932,278
Accumulated depreciation	<u>(1,170,036)</u>	<u>(1,093,280)</u>
	1,912,020	838,998
Construction in progress	-	921,130
Net	<u>\$ 1,912,020</u>	<u>\$ 1,760,128</u>

**NOTE 4 - RETIREMENT PLAN**

The Organization maintains a retirement plan (403(b)) for all eligible employees. Employees are allowed to contribute the maximum amount set by law. The Organization offers a 3% maximum salary match to the eligible employees. The total employer contributions made by the Organization to the employee's retirement accounts were \$18,939 and \$13,929 for the years ended June 30, 2012 and 2011, respectively.

**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of donor contributions earmarked for scholarships.

**NOTE 6 - CONTINGENT LIABILITIES**

Conditions contained within the various contracts awarded to the Organization are subject to the funding organization's criteria and regulations under which expenditures may be charged against and are subject to be audited under such regulations and criteria. Occasionally such audits may determine that certain costs incurred against the grants may not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding organization for the costs or be subject to the reductions of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

**NOTE 7 - SUBSEQUENT EVENTS**

Management of the Organization has evaluated events and transactions subsequent to June 30, 2012 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the fiscal year ended June 30, 2012. Subsequent events have been evaluated through the date the financial statements became available to be issued, August 17, 2012.