

RESPITE AND RESEARCH FOR
ALZHEIMER'S DISEASE

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

EMERITUS

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

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Respite and Research for Alzheimer's Disease
San Jose, CA

We have audited the accompanying financial statements of Respite and Research for Alzheimer's Disease (a California nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Organization's financial statements for the year ended June 30, 2012 and, in our report dated August 17, 2012, we expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Respite and Research for Alzheimer's Disease as of June 30, 2013, and the changes in its net assets and its 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
September 6, 2013

RESPITE AND RESEARCH FOR ALZHEIMER'S DISEASE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013			2012	
	Operating Fund	Temporarily Restricted	Building & Equipment Fund	TOTAL ALL FUNDS	
<u>ASSETS</u>					
Cash - - - - -	\$ 91,504	\$ 9,168	\$ -	\$ 100,672	\$ 107,010
Investments (Note 2) - - - - -	831,972	-	-	831,972	1,015,529
Accounts receivable - - - - -	8,677	-	-	8,677	4,183
Grants receivable - - - - -	138,735	-	-	138,735	57,931
Prepaid expenses and other assets - - - - -	2,000	-	-	2,000	14,421
Building and equipment net of depreciation (Note 3) - -	-	-	1,817,016	1,817,016	1,912,020
TOTAL ASSETS - - - - -	\$ 1,072,888	\$ 9,168	\$ 1,817,016	\$ 2,899,072	\$ 3,111,094
<u>LIABILITIES AND NET ASSETS</u>					
Liabilities:					
Accounts payable - - - - -	\$ 19,907	\$ -	\$ -	\$ 19,907	\$ 18,137
Accrued expenses - - - - -	110,199	-	-	110,199	126,163
Deferred revenue - - - - -	1,530	-	-	1,530	18,259
TOTAL LIABILITIES - - - - -	131,636	-	-	131,636	162,559
Unrestricted net assets:					
Unrestricted - - - - -	941,252	-	-	941,252	1,029,661
Invested in building and equipment - - - - -	-	-	1,817,016	1,817,016	1,912,020
Total unrestricted net assets - - - - -	941,252	-	1,817,016	2,758,268	2,941,681
Temporarily restricted net assets (Note 5) - - - - -	-	9,168	-	9,168	6,854
TOTAL NET ASSETS - - - - -	941,252	9,168	1,817,016	2,767,436	2,948,535
TOTAL LIABILITIES AND NET ASSETS - - - - -	\$ 1,072,888	\$ 9,168	\$ 1,817,016	\$ 2,899,072	\$ 3,111,094

The accompanying notes are an integral part of this statements.

RESPIRE AND RESEARCH FOR ALZHEIMER'S DISEASE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total	
			2013	2012
<u>SUPPORT AND REVENUE</u>				
Support:				
Contributions (including in-kind - \$72,000 - 2013, \$-0- - 2012)	\$ 196,748	\$ 2,457	\$ 199,205	\$ 122,085
Total support	<u>196,748</u>	<u>2,457</u>	<u>199,205</u>	<u>122,085</u>
Revenue:				
Governmental fees and grants (Note 1)	330,128	-	330,128	333,825
Program fees	1,381,925	-	1,381,925	1,015,320
Investment income	77,572	-	77,572	(50,358)
Total revenue	<u>1,789,625</u>	<u>-</u>	<u>1,789,625</u>	<u>1,298,787</u>
Total support and revenue	<u>1,986,373</u>	<u>2,457</u>	<u>1,988,830</u>	<u>1,420,872</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	143	(143)	-	-
TOTAL SUPPORT AND REVENUE-	<u>1,986,516</u>	<u>2,314</u>	<u>1,988,830</u>	<u>1,420,872</u>
<u>EXPENSES</u>				
Program Services:				
Rosa Elena Childcare Center	194,609		194,609	214,529
Edmondson Living Center	627,545		627,545	282,316
Alzheimer's Activity Center	1,146,879		1,146,879	1,211,609
Total Program Services	<u>1,969,033</u>		<u>1,969,033</u>	<u>1,708,454</u>
Supporting Services:				
Management and General	195,213		195,213	222,958
Fund Development	5,683		5,683	5,336
Total Supporting Services	<u>200,896</u>		<u>200,896</u>	<u>228,294</u>
TOTAL EXPENSES	<u>2,169,929</u>		<u>2,169,929</u>	<u>1,936,748</u>
CHANGE IN NET ASSETS	(183,413)	2,314	(181,099)	(515,876)
NET ASSETS - JULY 1	<u>2,941,681</u>	<u>6,854</u>	<u>2,948,535</u>	<u>3,464,411</u>
NET ASSETS - JUNE 30	<u>\$ 2,758,268</u>	<u>\$ 9,168</u>	<u>\$ 2,767,436</u>	<u>\$ 2,948,535</u>

The accompanying notes are an integral part of this statements.

RESPIRE AND RESEARCH FOR ALZHEIMER'S DISEASE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL EXPENSES	
	Rosa Elena Childcare Center	Edmondson Living Center	Alzheimer's Activity Center	Total	Management and General	Fund Development	Total	2013	2012
Salaries and wages - - - - -	\$ 124,800	\$ 367,405	\$ 679,338	\$ 1,171,543	\$ 93,660	\$ 4,930	\$ 98,590	\$ 1,270,133	\$ 1,163,871
Payroll taxes - - - - -	9,558	28,621	57,252	95,431	5,783	304	6,087	101,518	87,587
Employee benefits - - - - -	19,863	69,604	121,577	211,044	8,540	449	8,989	220,033	185,949
TOTAL SALARIES AND RELATED EXPENSES - - -	154,221	465,630	858,167	1,478,018	107,983	5,683	113,666	1,591,684	1,437,407
Professional fees (including in-kind services)	7,438	28,668	40,195	76,301	65,312	-	65,312	141,613	88,785
Supplies - - - - -	4,956	12,687	18,005	35,648	1,009	-	1,009	36,657	48,027
Food - - - - -	3,258	20,074	83,077	106,409	368	-	368	106,777	92,632
Telephone - - - - -	786	9,098	7,571	17,455	948	-	948	18,403	7,169
Printing - - - - -	33	125	1,061	1,219	46	-	46	1,265	5,573
Postage - - - - -	182	689	1,176	2,047	270	-	270	2,317	3,543
Occupancy costs/ building maintenance - - -	5,603	25,851	42,517	73,971	7,250	-	7,250	81,221	105,416
Equipment repairs, maintenance, small purchases - - - - -	953	2,080	7,542	10,575	1,370	-	1,370	11,945	15,346
Insurance - - - - -	2,495	11,026	13,525	27,046	2,288	-	2,288	29,334	15,416
Membership dues/licensing - - -	970	6,225	3,566	10,761	226	-	226	10,987	10,704
Advertising - - - - -	1,075	3,559	5,861	10,495	8	-	8	10,503	13,470
Miscellaneous - - - - -	778	2,047	5,312	8,137	228	-	228	8,365	9,427
TOTAL EXPENSES BEFORE DEPRECIATION - - - - -	182,748	587,759	1,087,575	1,858,082	187,306	5,683	192,989	2,051,071	1,852,915
Depreciation - - - - -	11,861	39,786	59,304	110,951	7,907	-	7,907	118,858	83,833
TOTAL EXPENSES - - - - -	\$ 194,609	\$ 627,545	\$ 1,146,879	\$ 1,969,033	\$ 195,213	\$ 5,683	\$ 200,896	\$ 2,169,929	\$ 1,936,748
Percentage of total	9.0%	28.9%	52.8%	90.7%	9.0%	0.3%	9.3%	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, 2013 AND 2012

	2013	2012
Increase (decrease) in cash and cash equivalents		
<u>Cash flows provided (used) by operating activities</u>		
Change in net assets - - - - -	\$ (181,099)	\$ (515,876)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation - - - - -	118,858	83,833
Realized/unrealized (gains) losses on investments - - - - -	(51,620)	67,653
(Increase) decrease in assets:		
Receivables - - - - -	(85,298)	26,661
Prepaid expenses - - - - -	12,421	53,690
Increase (decrease) in liabilities:		
Accounts payable - - - - -	1,770	3,760
Accrued expenses - - - - -	(15,964)	21,390
Deferred revenue - - - - -	(16,729)	14,592
Total adjustments - - - - -	(36,562)	271,579
Net cash used by operating activities - - -	(217,661)	(244,297)
<u>Cash flows provided (used) by investing activities:</u>		
Purchase of equipment/building improvements - - -	(23,854)	(235,725)
Proceeds from sale of investments - - - - -	451,446	3,070,066
Purchase of investments - - - - -	(216,269)	(2,595,640)
Net cash provided (used) by investing activities -	211,323	238,701
Net increase (decrease) in cash and cash equivalents -	(6,338)	(5,596)
Cash and cash equivalents at beginning of year - - -	107,010	112,606
Cash and cash equivalents at end of year - - - - -	\$ 100,672	\$ 107,010

The accompanying notes are an integral part of this statement.

RESPITE AND RESEARCH FOR
ALZHEIMER'S DISEASE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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.

RESPIRE AND RESEARCH FOR
ALZHEIMER'S DISEASE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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 - \$21,250), County of Santa Clara (General Fund - \$37,453), Council on Aging: Family Caregiver Support Program (\$100,000), One Time Only Service Expansion (\$25,000), One Time Only Equipment (\$17,890).

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, 2013 AND 2012

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, 2012, 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.

RESPITE AND RESEARCH FOR
ALZHEIMER'S DISEASE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

(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, 2011, and 2010 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, 2011, 2010 and 2009 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, 2013 AND 2012

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>2013</u>	<u>2012</u>
Mutual Funds	\$ 516,134	\$ 674,196
Exchange Traded and Closed End Funds	<u>315,838</u>	<u>341,333</u>
	<u>\$ 831,972</u>	<u>\$ 1,015,529</u>
Composition of Investment Income:		
Realized and unrealized gains (losses)	\$ 51,620	\$ (67,653)
Interest and dividends	34,969	32,855
Management fees	<u>(9,017)</u>	<u>(15,560)</u>
Total	<u>\$ 77,572</u>	<u>\$ (50,358)</u>

RESPIRE AND RESEARCH FOR
ALZHEIMER'S DISEASE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 3 - BUILDING AND EQUIPMENT

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

	<u>2013</u>	<u>2012</u>
Building and improvements	\$ 2,871,746	\$ 2,861,464
Office furniture and equipment	<u>234,164</u>	<u>220,592</u>
	3,105,910	3,082,056
Accumulated depreciation	<u>(1,288,894)</u>	<u>(1,170,036)</u>
Net	<u>\$ 1,817,016</u>	<u>\$ 1,912,020</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 \$8,484 and \$18,939 for the years ended June 30, 2013 and 2012, respectively. As of January 1, 2013, the employer match has been suspended.

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, 2013 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, 2013. Subsequent events have been evaluated through the date the financial statements became available to be issued, September 6, 2013. On September 4, 2013 the Organization ceased operations at the Edmondson Living Center.