

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

(A NONPROFIT ORGANIZATION)

TABLE OF CONTENTS

	<u>PAGE</u>
<i>INDEPENDENT AUDITOR'S REPORT</i>	<i>1 - 2</i>
<i>FINANCIAL STATEMENTS:</i>	
<i>STATEMENTS OF FINANCIAL POSITION</i>	<i>3 - 4</i>
<i>STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS</i>	<i>5 - 6</i>
<i>STATEMENTS OF FUNCTIONAL EXPENSES</i>	<i>7 - 8</i>
<i>STATEMENTS OF CASH FLOWS</i>	<i>9 - 10</i>
<i>NOTES TO FINANCIAL STATEMENTS</i>	<i>11 - 22</i>

To the Board of Directors of
Alzheimer's Disease Resource Center, Inc.
Bay Shore, New York

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Alzheimer's Disease Resource Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alzheimer's Disease Resource Center, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Curcio & Cohen, CPA's, P.C.

New York, New York

April 26, 2017

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30,

<i>ASSETS</i>	<u>2016</u>	<u>2015</u>
<i>Current Assets:</i>		
Cash	\$ 13,243	\$ 14,525
Contributions Receivable	145,225	9,997
Grants Receivable (Net of Allowance for Doubtful Accounts of \$58,538 for 2016 and \$-0- for 2015)	258,365	316,966
Investments	1,106	542
Prepaid Expenses and Other Receivables	9,866	23,420
Inventory - Jewelry	<u>6,651</u>	<u>7,175</u>
Total Current Assets	<u>434,456</u>	<u>372,625</u>
<i>Property and Equipment - Net</i>	<u>1,144,837</u>	<u>1,193,747</u>
<i>Other Assets:</i>		
Cash - Restricted for Capital Campaign	-	4,709
Intangible Assets - Net	1,638	1,774
Security Deposits	<u>6,020</u>	<u>6,020</u>
Total Other Assets	<u>7,658</u>	<u>12,503</u>
Total Assets	<u><u>\$ 1,586,951</u></u>	<u><u>\$ 1,578,875</u></u>

The accompanying notes are an integral part of the financial statements.
"See independent auditor's report."

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30,

<i>LIABILITIES AND NET ASSETS</i>	<u>2016</u>	<u>2015</u>
<i>Current Liabilities:</i>		
Accounts Payable	\$ 119,391	\$ 142,421
Bank Overdraft	19,752	-
Deferred Revenue	52,823	112,431
Mortgage Payable	10,444	9,809
Accrued Expenses	120,594	19,887
Line of Credit	<u>-</u>	<u>75,000</u>
Total Current Liabilities	<u>323,004</u>	<u>359,548</u>
<i>Long Term Liabilities:</i>		
Mortgage Payable	<u>246,069</u>	<u>256,708</u>
Total Long Term Liabilities	<u>246,069</u>	<u>256,708</u>
Total Liabilities	<u>569,073</u>	<u>616,256</u>
<i>Net Assets:</i>		
Unrestricted	897,878	957,910
Temporarily Restricted	<u>120,000</u>	<u>4,709</u>
Total Net Assets	<u>1,017,878</u>	<u>962,619</u>
Total Liabilities and Net Assets	<u><u>\$ 1,586,951</u></u>	<u><u>\$ 1,578,875</u></u>

The accompanying notes are an integral part of the financial statements.
"See independent auditor's report."

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<i>Revenue and Support:</i>				
Fundraising Events	\$ 365,474	\$ -	\$ -	\$ 365,474
Contributions - Individuals	105,466	-	-	105,466
Contributions - Foundations	80,000	120,000	-	200,000
Contributions in Kind	13,650	-	-	13,650
Government Grants	234,466	-	-	234,466
Contributions - Corporate/Other	17,067	-	-	17,067
Education Conference	52,186	-	-	52,186
Seminars and Other Programs	22,915	-	-	22,915
Jewelry Sales	2,607	-	-	2,607
Net Assets Released from Restrictions	4,709	(4,709)	-	-
Unrealized Gain (Loss) on Investments	564	-	-	564
	899,104	115,291	-	1,014,395
<i>Expenditures:</i>				
Program Services	709,948	-	-	709,948
Fundraising Costs	185,336	-	-	185,336
General and Administrative	63,852	-	-	63,852
	959,136	-	-	959,136
<i>Increase (Decrease) in Net Assets</i>	(60,032)	115,291	-	55,259
<i>Net Assets, Beginning of Year</i>	957,910	4,709	-	962,619
<i>Net Assets, End of Year</i>	\$ 897,878	\$ 120,000	\$ -	\$ 1,017,878

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

"See independent auditor's report."

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>Revenue and Support:</i>				
Fundraising Events	\$ 340,052	\$ -	\$ -	\$ 340,052
Contributions - Individuals	69,198	-	-	69,198
Contributions - Foundations	85,250	-	-	85,250
Contributions in Kind	4,100	-	-	4,100
Government Grants	200,481	-	-	200,481
Contributions - Corporate/Other	13,889	-	-	13,889
Education Conference	49,875	-	-	49,875
Seminars and Other Programs	3,620	-	-	3,620
Jewelry Sales	45	-	-	45
Net Assets Released from Restrictions	615	(615)	-	-
Interest Income	-	3	-	3
Realized Gain (Loss) on Investments	(540)	-	-	(540)
Unrealized Gain (Loss) on Investments	73	-	-	73
	<u>766,658</u>	<u>(612)</u>	<u>-</u>	<u>766,046</u>
<i>Expenditures:</i>				
Program Services	607,052	-	-	607,052
Fundraising Costs	222,888	-	-	222,888
General and Administrative	58,626	-	-	58,626
	<u>888,566</u>	<u>-</u>	<u>-</u>	<u>888,566</u>
<i>Increase (Decrease) in Net Assets</i>	(121,908)	(612)	-	(122,520)
<i>Net Assets, Beginning of Year</i>	<u>1,079,818</u>	<u>5,321</u>	<u>-</u>	<u>1,085,139</u>
<i>Net Assets, End of Year</i>	<u>\$ 957,910</u>	<u>\$ 4,709</u>	<u>\$ -</u>	<u>\$ 962,619</u>

The accompanying notes are an integral part of the financial statements.
"See independent auditor's report."

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

	Program Services	Fund - Raising Costs	General and Admin Expenses	Total
<i>Expenditures:</i>				
Salaries and Wages	\$ 206,934	\$ 11,496	\$ 11,496	\$ 229,926
Fundraising Event Expenses	-	137,303	-	137,303
Arbitration Award - Research	118,100	-	-	118,100
Bad Debt Expenses	58,358	-	-	58,358
Education Conference and Meetings	55,054	-	-	55,054
Depreciation and Amortization	44,142	2,452	2,452	49,046
Professional Fees	-	14,517	29,035	43,552
Outside Contract Labor	9,089	9,089	9,089	27,267
Seminars and Other Programs	27,254	-	-	27,254
Marketing, Advertising, and Promotion	21,716	1,207	1,207	24,130
Payroll Taxes and Processing	19,545	1,086	1,086	21,717
Interest Expense	16,796	933	933	18,662
Repairs and Maintenance	15,864	881	881	17,626
Employee Benefits	14,848	825	825	16,498
Insurance	14,313	795	795	15,903
Rent	12,247	680	680	13,607
Postage and Shipping	11,877	660	660	13,197
Telephone	11,365	631	631	12,627
Office Supplies	10,663	592	592	11,847
Bank and Credit Card Processing fees	8,973	498	498	9,969
Utilities	8,895	494	494	9,883
Travel	8,591	477	477	9,545
Equipment Rental/Offsite Storage	5,850	325	325	6,500
Computer Cost and Web Hosting	4,327	240	240	4,807
Purchased Publications and Printing	2,546	141	141	2,828
Training and Development	2,354	-	-	2,354
Jewelry Costs	-	-	1,301	1,301
NYS Franchise Report Fee	247	14	14	275
Total Expenditures	<u>\$ 709,948</u>	<u>\$ 185,336</u>	<u>\$ 63,852</u>	<u>\$ 959,136</u>

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

"See independent auditor's report."

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

	Program Services	Fund - Raising Costs	General and Admin Expenses	Total
<i>Expenditures:</i>				
Salaries and Wages	\$ 237,139	\$ 13,174	\$ 13,174	\$ 263,487
Fundraising Event Expenses	-	173,901	-	173,901
Depreciation	45,205	2,511	2,511	50,227
Education Conference and Meetings	46,743	-	-	46,743
Repairs and Maintenance	32,510	1,806	1,806	36,122
Outside Contract Labor	10,811	10,810	10,810	32,431
Professional Fees	-	9,628	19,256	28,884
Marketing, Advertising, and Promotion	25,263	1,403	1,403	28,069
Payroll Taxes and Processing	24,151	1,342	1,342	26,835
Seminars and Other Programs	26,787	-	-	26,787
Interest Expense	19,034	1,057	1,057	21,148
Insurance	18,362	1,020	1,020	20,402
Employee Benefits	16,667	926	926	18,519
Rent	14,401	800	800	16,001
Telephone	13,935	774	774	15,483
Postage and Shipping	11,312	628	628	12,568
Office Supplies	11,043	614	614	12,271
Utilities	10,874	604	604	12,082
Bank and Credit Card Processing fees	10,631	591	591	11,813
Computer Cost and Web Hosting	10,493	583	583	11,659
Grant and Program Expenses	8,000	-	-	8,000
Equipment Rental/Offsite Storage	4,931	274	274	5,479
Travel	4,450	247	247	4,944
Purchased Publications and Printing	3,251	181	181	3,613
Training and Development	812	-	-	812
NYS Franchise Report Fee	247	14	14	275
Jewelry Costs	-	-	11	11
Total Expenditures	\$ 607,052	\$ 222,888	\$ 58,626	\$ 888,566

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

"See independent auditor's report."

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

	2016	2015
<i>Cash Flows From Operating Activities:</i>		
Increase (Decrease) in Net Assets	\$ 55,259	\$ (122,520)
Adjustments To Reconcile Net Assets To Net Cash Provided By Operating Activities:		
Depreciation	48,910	50,091
Amortization	136	136
Realized Gains (Losses) on Investments	-	540
Unrealized Gains (Losses) on Investments	(564)	(73)
Contributions of Stock	-	(9,947)
(Increase) or Decrease in Operating Assets:		
Prepaid Expenses and Other Receivables	13,554	(13,064)
Contributions Receivable	(135,228)	121,978
Grants Receivable	58,601	(31,966)
Investments	(564)	(542)
Inventory - Jewelry	524	11
Net Disbursements from Cash - Restricted for Capital Campaign	4,709	612
Increase or (Decrease) in Operating Liabilities:		
Accounts Payable	(23,030)	40,233
Accrued Expenses	100,707	(3,479)
Deferred Revenue	(59,608)	26,165
Net Cash Provided By (Used For) Operating Activities	63,406	58,175
<i>Cash Flows From Investing Activities:</i>		
Proceeds From Sale of Investments	-	9,480
Net Cash Provided By (Used For) Investing Activities	-	9,480
<i>Cash Flows From Financing Activities:</i>		
Repayments on Line of Credit	(75,000)	(50,000)
Bank Overdraft	19,752	-
Principal Payments on Mortgages Payable	(9,440)	(9,481)
Net Cash Provided By (Used For) Financing Activities	\$ (64,688)	\$ (59,481)

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

"See independent auditor's report."

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

(continued)

	<u>2016</u>	<u>2015</u>
Net Increase (Decrease) in Cash	\$ (1,282)	\$ 8,174
Cash at Beginning of Year	<u>14,525</u>	<u>6,351</u>
Cash at End of Year	<u>\$ 13,243</u>	<u>\$ 14,525</u>

Supplemental Disclosures of Cash Flow Information:

Non-Cash Investing and Financing Activities

Cash paid during the period for:		
Interest	<u>\$ 18,662</u>	<u>\$ 21,148</u>

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

"See independent auditor's report"

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES

A) Nature of Organization

The Alzheimer's Association, Long Island Chapter, Inc. ("Chapter"), incorporated in the State of New York in September, 1983, was a local chapter of the National Alzheimer's Disease and Related Disorders Association, Inc. ("National"). On October 24th, 2012, the Board of Directors of the Chapter voted unanimously to disaffiliate from the National Alzheimer's Association and to change its name from Alzheimer's Association, Long Island Chapter, Inc. to Alzheimer's Disease Resource Center, Inc. ("Organization").

The Organization continues to support research to find a cure for Alzheimer's disease. The Organization also provides care, support and education programs for families in need, to be the voice for families who are coping with Alzheimer's disease and/or other dementias, and strives to increase the public's awareness about the disease.

B) Tax Status

The Organization is a nonprofit organization exempt from income tax under Section 501(c) (3) of the U.S. Internal Revenue Code.

C) Method of Accounting

The financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

D) Basis of Presentation

The net assets and revenues, gains and losses of the Organization are classified for accounting and reporting purposes in three classes of net assets based on the existence or absence of donor-imposed restrictions. A description of the three classes follows:

Permanently restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Temporarily restricted - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or passage of time.

Unrestricted - Net assets that are not subject to donor-imposed stipulations.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

(continued)

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES – (continued)

E) Revenue Recognition

Contribution revenue is recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Grant revenue is recognized as revenue in the period in which the funds are utilized by the Organization to carry out the activity stipulated in the grant agreement.

Amounts received from contributions or grants that have not yet been recognized as revenue are classified as liabilities in the balance sheet.

F) Contribution Receivable

Contribution receivable is stated at the amount management expects to collect from outstanding balances. The Organization estimates that, based on past history and subsequent collections, contributions receivable will be substantially collected in full. Accordingly, no allowance for uncollectible amounts has been provided.

G) Grant Receivable

Grant receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grant receivable.

H) Contributed Materials and Services

Contributed materials and equipment are reflected as contributions and assets or expenses in the accompanying financial statements at their estimated fair values on the date of contribution. Contributed services are recognized at fair value at the date of receipt 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 need to be purchased if not provided by donations.

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

(continued)

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES – (continued)

I) Inventory – Jewelry

The Organization's inventory consists of jewelry, which is sold through its website and at fundraising events. Inventory is stated at the lower of cost or market and cost is determined on the first-in first-out method.

J) Investment Valuation and Income Recognition

The Organization's investments are stated at fair value. Investments acquired by gift are recorded at their fair value at the date of the gift. Fair value is 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 (See Note 5 for discussion of fair value measurements). Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains or losses on investments include the Organization's gains and losses on investments bought and sold as well as held during the year.

K) 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L) Functional Allocation of Expenses

The cost of providing the various programs and supporting services has been summarized on a functional basis in the accompanying Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

M) Property, Equipment and Depreciation

Property and equipment is stated at cost. Major expenditures for property which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and any resulting gains or losses are included in income. Depreciation is provided for on the straight-line method over the estimated useful lives of the assets.

N) Reclassifications

Certain reclassifications have been made to the June 30, 2015 financial statements and notes to conform to the June 30, 2016 presentation.

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

(continued)

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES – (continued)

O) Intangible Assets and Amortization

The Organization has developed two trademarks associated with its name and logo. Legal fees incurred to submit the application and other related correspondence to the United States Patent and Trademark Office for these trademarks have been capitalized. Management has considered trademarks to have an estimated useful life of 15 years.

P) Marketing, Advertising, and Promotion Expense

The Organization follows the policy of charging the costs of marketing, advertising, and promotion to expense. These costs primarily consist of printed materials and marketing services to promote public awareness of Alzheimer's disease, fund-raising events, and the promotion of services provided by the Organization. For the years ended June 30, 2016 and 2015, marketing, advertising, and promotion expense totaled \$24,130 and \$28,069, respectively.

Q) Restricted Cash - Capital Campaign

Restricted cash represents contributions that have been designated by the donors to purchase a building for the Family Care and Resource Center and to serve as a permanent home for the Organization. On June 20, 2011, the Organization purchased the building with financing from TD Bank and utilizing monies from the restricted cash accounts. The remaining restricted cash was utilized for the repayment of the mortgages associated with the purchase of the building, the construction of the family care center, and classrooms.

R) Accounting for Uncertainty in Income Taxes

Accounting principles generally accepted in the United States of America require management to evaluate uncertain tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization takes a position that is more likely than not to be sustained upon examination. The Organization recognizes interest and penalties, if any, relating to unrecognized income tax benefits in interest expense. The Organization has determined that there are no uncertain tax positions that require recognition or disclosure in the financial statements.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2013.

S) Management Review

The Organization has performed an evaluation of subsequent events through April 26, 2017, which is the date the financial statements were available to be issued, noting an event which affects the financial statements as of June 30, 2016 (See Note 14).

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

(continued)

NOTE 2 – PROPERTY AND EQUIPMENT

Major classes of Property and Equipment consist of the following:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Life</u>
Building	\$ 1,010,387	\$ 1,010,387	39 Years
Building Improvements	62,515	62,515	39 Years
Land	120,000	120,000	N/A
Land Improvements	59,430	59,430	N/A
Office/Computer Equipment	58,660	58,660	5 Years
Leasehold Improvements	600	600	5 Years
Office Furniture	85,168	85,168	7 Years
Computer Software	<u>11,211</u>	<u>11,211</u>	5 Years
 Total Property and Equipment	 1,407,971	 1,407,971	
Less: Accumulated Depreciation	<u>263,134</u>	<u>214,224</u>	
 Property and Equipment - Net	 <u>\$ 1,144,837</u>	 <u>\$ 1,193,747</u>	

Depreciation expense for the years ended June 30, 2016 and 2015 totaled \$48,910 and \$50,091, respectively.

NOTE 3 – INTANGIBLE ASSETS

Major classes of Intangible Assets consist of the following:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Life</u>
Trademarks	<u>\$ 2,046</u>	<u>\$ 2,046</u>	15 Years
 Total Intangible Assets	 2,046	 2,046	
Less: Accumulated Amortization	<u>(408)</u>	<u>(272)</u>	
 Intangible Assets - Net	 <u>\$ 1,638</u>	 <u>\$ 1,774</u>	

Amortization expense for the years ended June 30, 2016 and 2015 totaled \$136 and \$136, respectively.

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

(continued)

NOTE 4 – CONCENTRATIONS OF CREDIT RISK - FEDERALLY UNINSURED CASH

The Organization's cash is maintained at one bank. The Organization has exposure to credit risk to the extent its cash exceeds \$250,000 (the amount covered by federal deposit insurance) per bank. As of June 30, 2016 and 2015, there were no uninsured amounts (the amounts in excess of \$250,000).

NOTE 5 – FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

U.S. generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities. An active market for the assets or liability is a market in which the transaction for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data, such as quoted prices for similar assets or liabilities or model-derived valuations.

Level 3: Unobservable inputs that are not corroborated by market data. These inputs reflect a company's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The asset or liability's fair value measurement level 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.

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

(continued)

NOTE 5 – FAIR VALUE MEASUREMENTS – (continued)

The following schedules present the Organization's investments by level within the fair value hierarchy as of June 30, 2016 and 2015:

	Assets at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Cash	\$ 16	\$ -	\$ -	\$ 16
Common Stock	1,090	-	-	1,090
Total Investments	\$ 1,106	\$ -	\$ -	\$ 1,106

	Assets at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Cash	\$ 5	\$ -	\$ -	\$ 5
Common Stock	537	-	-	537
Total Investments	\$ 542	\$ -	\$ -	\$ 542

For the years ended June 30, 2016 and 2015, the Organization's investments (including investments bought, sold, and held during the year) appreciated (depreciated) in value by \$564 and \$-0- respectively, as follows:

	<u>2016</u>	<u>2015</u>
Investments at Fair Value as Determined by		
Level 1 Measurements		
Cash	\$ 11	\$ -
Common Stock	553	73
Investments at Fair Value as Determined by		
Level 2 Measurements		
None	-	-
Investments at Fair Value as Determined by		
Level 3 Measurements		
None	-	-
Net Change in Fair Value	<u>\$ 564</u>	<u>\$ 73</u>

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

(continued)

NOTE 6 – LEASE COMMITMENTS

The Organization leases office space in Southampton, New York. The lease has an expiration date of June 30, 2017 and generally provides for the lessee to only pay insurance on the leased property.

Following is a summary of future minimum payments under the operating lease that has initial or remaining non-cancelable lease terms in excess of one year at June 30, 2016:

June 30, 2017	<u>\$ 14,400</u>
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The amount of rent expense incurred for the years ended June 30, 2016 and 2015 totaled \$13,607 and \$16,001, respectively.

NOTE 7 – MORTGAGE PAYABLE

On June 20, 2011, the Organization entered into a first mortgage loan agreement with TD Bank in the amount of \$300,000. The term of the note is 10 years, however the note is payable in 240 installments of \$2,154 per month including interest at a rate of 5.94% per annum. On the tenth anniversary of the mortgage, the principal balance will be \$195,037. At this point, the Organization has the option to either re-finance the mortgage or to pay off the balance (there is no prepayment penalty). The note is collateralized by the mortgaged property. As of June 30, 2016 and 2015, the amount owed on the mortgage totaled \$256,708 and \$266,808, respectively.

	<u>2016</u>	<u>2015</u>
Total Mortgages Payable	\$ 256,513	\$ 266,517
Less: Current Portion	<u>(10,444)</u>	<u>(9,809)</u>
Long-Term Portion	<u>\$ 246,069</u>	<u>\$ 256,708</u>

The following is a summary of future minimum payments on Mortgage Payable:

June 30, 2017	\$ 10,444
2018	11,104
2019	11,805
2020	12,550
2021	13,342
Thereafter	<u>197,268</u>
	<u>\$ 256,513</u>

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

(continued)

NOTE 8 – LINE OF CREDIT

On May 30, 2014, the Organization entered into a \$125,000 loan agreement for a line of credit with TD Bank. Interest on the line of credit is payable monthly and bears interest at a fixed rate of 8.75% per annum. The line of credit is due on demand. In March of 2016, the line of credit was repaid in full and not renewed. The amount outstanding as of June 30, 2016 and 2015 totaled \$-0- and \$75,000, respectively.

NOTE 9 – MAJOR SOURCES OF SUPPORT

For the year ended June 30, 2016, approximately 26% of the Organization's support came from the Walk for Alzheimer's fundraising events. Support and revenue associated with this event for the year ended June 30, 2016 totaled \$229,419.

For the year ended June 30, 2015, approximately 30% of the Organization's support came from the Walk for Alzheimer's fundraising events. Support and revenue associated with this event for the year ended June 30, 2015 totaled \$228,890.

NOTE 10 – CONTRIBUTIONS IN KIND

Certain fees, materials, equipment, and supplies were donated for the benefit of the Organization. The value of these donated services, materials, and supplies that are included in the financial statements for the years ended June 30, 2016 and 2015, totaled \$13,650 and \$4,100, respectively.

NOTE 11 – EMPLOYEE BENEFIT PLAN

The Organization sponsors a non-contributory, tax-deferred annuity plan in which all employees may participate. The Plan provides for participants' pretax contributions to the Plan pursuant to Section 403(b) of the Internal Revenue Code. The Organization did not contribute to the plan for the years ended June 30, 2016 and 2015, respectively.

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

(continued)

NOTE 12 – FUNDRAISING EVENTS

The Organization held various fundraising events during fiscal year ended June 30, 2016.

The following schedules highlight the contributions and fundraising costs:

	<u>Walks for Alzheimer's</u>	<u>Golf Event</u>	<u>Other Events</u>	<u>Total</u>
Contributions	\$ 215,769	\$ 86,421	\$ 63,284	\$ 365,474
Contributions - In Kind	13,650	-	-	13,650
Total Fundraising Revenues	229,419	86,421	63,284	379,124
Less: Direct fundraising costs	80,844	29,474	26,985	137,303
Proceeds before allocated costs	148,575	56,947	36,299	241,821
Less: Allocated fundraising costs	29,065	10,949	8,019	48,033
Fundraising events - net	<u>\$ 119,510</u>	<u>\$ 45,998</u>	<u>\$ 28,280</u>	<u>\$ 193,788</u>

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

(continued)

NOTE 12 – FUNDRAISING EVENTS – (continued)

The Organization held various fundraising events during fiscal year ended June 30, 2015.

The following schedules highlight the contributions and fundraising costs:

	Walks for Alzheimer's	Golf Event	Other Events	Total
Contributions	\$ 224,790	\$ 80,740	\$ 34,522	\$ 340,052
Contributions - In Kind	4,100	-	-	4,100
Total Fundraising Revenues	228,890	80,740	34,522	344,152
Less: Direct fundraising costs	117,400	47,380	9,121	173,901
Proceeds before allocated costs	111,490	33,360	25,401	170,251
Less: Allocated fundraising costs	32,580	11,493	4,914	48,987
Fundraising events - net	<u>\$ 78,909</u>	<u>\$ 21,867</u>	<u>\$ 20,487</u>	<u>\$ 121,264</u>

ALZHEIMER'S DISEASE RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

(continued)

NOTE 13 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of pledged contributions that are purpose-restricted, and are recorded as temporarily restricted. Temporarily restricted net assets are restricted for two purposes; to fund a capital campaign to acquire a building to house the Alzheimer's Disease Resource Center, Inc. and to cover settlement costs related to a donor's bequest (See Note 14).

On June 20, 2011, the Organization purchased the building. The remaining amount in temporarily restricted net assets was utilized for the repayment of the mortgages associated with the purchase of the building, the construction of classrooms and the family care center, and educational programs promoting Alzheimer's awareness.

Total purpose-restricted capital campaign pledges that were donated to the Organization (plus interest income earned) during the years ended June 30, 2016 and 2015 were \$-0- and \$3, respectively.

Total purpose-restricted settlement pledges that were donated to the Organization during the years ended June 30, 2016 and 2015 were \$120,000 and \$-0-, respectively.

For the year ended June 30, 2016, \$4,709 was released from donor restrictions.

For the year ended June 30, 2015, \$615 was released from donor restrictions.

Temporarily restricted net assets at June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Purpose Restricted - Capital Campaign	\$ -	\$ 4,709
Purpose Restricted - Arbitration Settlement Research	<u>120,000</u>	<u>-</u>
	<u>\$ 120,000</u>	<u>\$ 4,709</u>

NOTE 14 – SUBSEQUENT EVENTS

On February 3, 2017, the Alzheimer's Disease and Related Disorders Association, Inc. ("National") commenced a proceeding in the Eastern District of New York against the Organization seeking payment of a bequest made by a donor and received by the Organization in 2015. The parties have negotiated a settlement of \$118,100 to National, which in turn will be paid to an organization located in Long Island for research. No formal settlement agreement has been signed as of the date of the opinion letter. As such, the financial statements reflect an accrual for the liability of the settlement amount due to National, in the amount of \$118,100.