

ALZHEIMER'S TENNESSEE, INC.
Knoxville, Tennessee

FINANCIAL STATEMENTS

June 30, 2018

ALZHEIMER'S TENNESSEE, INC.
Knoxville, Tennessee
June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Alzheimer's Tennessee, Inc.
Knoxville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Alzheimer's Tennessee, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 Tennessee Inc. as of June 30, 2018, 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.

Report on Summarized Comparative Information

We have previously audited Alzheimer's Tennessee, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ingram, Overholt & Bean, PC

Alcoa, Tennessee
December 3, 2018

ALZHEIMER'S TENNESSEE, INC.
Knoxville, Tennessee
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	June 30,	
	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash	\$ 1,297,047	\$ 1,449,876
Accounts receivable	15,014	30,569
Prepaid expenses	35,400	32,907
Inventory	2,781	21,633
Total Current Assets	1,350,242	1,534,985
Leasehold improvements, furniture and equipment, Net of accumulated depreciation	193,226	218,710
Permanently restricted cash	5,000	5,000
Total Assets	\$ 1,548,468	\$ 1,758,695
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 81,192	\$ 55,135
Accrued vacation	16,397	19,453
Accrued retirement plan contribution	1,298	1,204
Total Current Liabilities	98,887	75,792
NET ASSETS		
Unrestricted:		
Undesignated	1,425,157	1,659,732
Temporarily restricted	19,424	18,171
Permanently restricted	5,000	5,000
Total Net Assets	1,449,581	1,682,903
Total Liabilities and Net Assets	\$ 1,548,468	\$ 1,758,695

See accompanying independent auditors' report and notes to financial statements.

ALZHEIMER'S TENNESSEE, INC.
Knoxville, Tennessee
STATEMENTS OF ACTIVITIES
Year ended June 30, 2018
With Comparative Totals for June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
SUPPORT AND REVENUE:					
Support:					
Contributions, gifts, grants and pledges:					
Direct public support:					
Memorials and honorariums	\$ 67,745	\$ -	\$ -	\$ 67,745	\$ 51,590
Contributions	116,383	-	-	116,383	102,132
Donated facilities	49,000	-	-	49,000	49,000
Planned giving	20,637	-	-	20,637	754,442
Fund-raising events (primarily Alzheimer's Walk)	860,311	-	-	860,311	863,753
Fund-raising events (Golf Tournament)	33,900	-	-	33,900	42,282
Independent organization special event	-	-	-	-	56,673
Indirect public support:					
Campus Chest, United Way, and others	19,529	-	-	19,529	27,309
Private foundation awards	650	50,000	-	50,650	97,815
Government grants	13,750	-	-	13,750	10,000
Total Support	<u>1,181,905</u>	<u>50,000</u>	<u>-</u>	<u>1,231,905</u>	<u>2,054,996</u>
Revenue:					
Howard Circle of Friends	160,193	-	-	160,193	147,322
Training fees	25,029	-	-	25,029	28,070
Symposiums	25,173	-	-	25,173	19,911
Interest and dividend income	3,614	-	-	3,614	3,141
Sales of books and materials	444	-	-	444	636
Miscellaneous income	-	-	-	-	2,100
	<u>214,453</u>	<u>-</u>	<u>-</u>	<u>214,453</u>	<u>201,180</u>
Net assets released from restrictions:					
Private foundation awards	<u>48,747</u>	<u>(48,747)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>1,445,105</u>	<u>1,253</u>	<u>-</u>	<u>1,446,358</u>	<u>2,256,176</u>
EXPENSES:					
Program services	1,427,128	-	-	1,427,128	1,400,466
Management and general	41,922	-	-	41,922	40,516
Development and fund-raising	<u>210,630</u>	<u>-</u>	<u>-</u>	<u>210,630</u>	<u>230,803</u>
Total Expenses	<u>1,679,680</u>	<u>-</u>	<u>-</u>	<u>1,679,680</u>	<u>1,671,785</u>
Change in Net Assets	(234,575)	1,253	-	(233,322)	584,391
Net Assets, Beginning of Year	<u>1,659,732</u>	<u>18,171</u>	<u>5,000</u>	<u>1,682,903</u>	<u>1,098,512</u>
Net Assets – End of Year	<u>\$ 1,425,157</u>	<u>\$ 19,424</u>	<u>\$ 5,000</u>	<u>\$1,449,581</u>	<u>\$1,682,903</u>

See accompanying independent auditors' report and notes to financial statements.

ALZHEIMER'S TENNESSEE, INC.
Knoxville, Tennessee
STATEMENTS OF FUNCTIONAL EXPENSES
Year ended June 30, 2018
With Comparative Total Expenses for June 30, 2017

	Administrative/ General	Development	Education	Advocacy	Research	P/R Communications	Family Support	2018 Total	2017 Total
Salaries	\$ 12,643	\$ 79,373	\$ 128,213	\$ 12,327	\$ 12,827	\$ 200,492	\$ 250,433	\$ 696,308	\$ 678,418
Fringe benefits	3,233	1,734	2,372	282	281	4,077	4,672	16,651	14,847
Payroll taxes	980	6,191	9,934	1,001	963	15,593	19,433	54,095	53,120
Outside services & personnel costs	1,313	7,128	7,411	9,621	1,189	15,032	36,372	78,066	74,127
Professional fees	254	1,339	1,411	652	230	2,871	3,078	9,835	9,421
Supplies	3,199	26,322	25,859	3,080	2,455	61,203	66,379	188,497	187,100
Telecommunications	467	4,345	5,966	517	468	12,258	7,272	31,293	27,426
Postage	153	4,428	11,339	992	7,357	9,887	2,006	36,162	36,610
Occupancy	2,022	14,073	23,709	2,274	2,026	35,618	28,052	107,774	88,810
Insurance	674	3,670	3,820	575	610	7,809	8,152	25,310	19,490
Printing	232	10,945	8,877	205	7,989	25,212	3,408	56,868	72,094
Publications and subscriptions	2,054	6,077	347	2,030	32	33,079	289	43,908	44,225
Conferences	122	406	1,301	728	4	830	1,166	4,557	9,531
Special events and community meetings	459	32,089	36,226	3,648	18,294	21,254	9,281	121,251	143,356
Volunteer training and recognition	-	-	-	-	-	751	-	751	579
Travel	751	3,586	8,545	1,054	671	5,596	7,552	27,755	35,054
Specific assistance to individuals	-	-	-	-	-	-	49,275	49,275	49,534
Bank and credit card charges	11,778	-	-	-	-	-	-	11,778	10,509
Miscellaneous	10	823	628	9	9	583	311	2,373	3,069
In-kind facilities rental	650	3,419	3,602	554	588	7,329	32,858	49,000	49,000
Depreciation	771	4,056	4,274	658	697	8,695	9,516	28,667	24,185
Building maintenance	157	626	704	100	106	1,378	1,435	4,506	6,280
Research	-	-	-	-	35,000	-	-	35,000	35,000
Totals	\$ 41,922	\$ 210,630	\$ 284,538	\$ 40,307	\$ 91,796	\$ 469,547	\$ 540,940	\$1,679,680	\$1,671,785

See accompanying independent auditors' report and notes to financial statements.

ALZHEIMER'S TENNESSEE, INC.
Knoxville, Tennessee
STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 and 2017

	Year Ended June 30,	
	2018	2017
Cash Flows from Operating Activities		
Contributions	\$ 1,250,069	\$ 2,018,330
Program services	210,395	197,403
Grants – Government	13,750	10,000
Interest received	3,614	3,141
Sales of books	<u>444</u>	<u>636</u>
Total Operating Receipts	<u>1,478,272</u>	<u>2,229,510</u>
Payments to and on behalf of employees	(770,016)	(746,271)
Payments to vendors	(808,627)	(924,766)
Payments to Respite Care Grants	<u>(49,275)</u>	<u>(49,534)</u>
Total Operating Disbursements	<u>(1,627,918)</u>	<u>(1,720,571)</u>
Net Cash Provided (Used) by Operating Activities	<u>(149,646)</u>	<u>508,939</u>
Cash Flows (Used) by Capital and Related Financing Activities		
Acquisition of capital assets	(3,183)	(31,833)
Sale of donated assets	<u>-</u>	<u>1,535</u>
Net Cash Flows (Used) by Capital and Related Financing Activities	<u>(3,183)</u>	<u>(30,298)</u>
Net Increase (Decrease) in Cash	(152,829)	478,641
Cash at Beginning of Year	<u>1,449,876</u>	<u>971,235</u>
Cash at End of Year	<u>\$ 1,297,047</u>	<u>\$ 1,449,876</u>
Supplemental schedule of noncash activities		
In-kind donation of facilities rent	<u>\$ 49,000</u>	<u>\$ 49,000</u>

See accompanying independent auditors' report and notes to financial statements.

ALZHEIMER'S TENNESSEE, INC.
Knoxville, Tennessee
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Alzheimer's Tennessee, Inc. was organized and incorporated in Tennessee in 1983 as a nonprofit organization. The mission statement of Alzheimer's Tennessee is to serve those facing Alzheimer's disease and related dementias, to promote brain health through education, and to champion global research, prevention and treatment efforts.

Alzheimer's Tennessee serves Tennessee and counties in Southwest Virginia. Alzheimer's Tennessee's support is derived from fund-raising events (primarily Walks), restricted and unrestricted grants from private organizations and local government, and restricted and unrestricted contributions from individuals.

Basis of Accounting: The financial statements of Alzheimer's Tennessee have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation: The financial statement presentation follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Alzheimer's Tennessee is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Unrestricted net assets consist of resources that are not temporarily or permanently restricted by the donor and are available for the general programs of Alzheimer's Tennessee without limitation. Alzheimer's Tennessee has elected to report as unrestricted support all donor-restricted contributions whose restrictions are met within the same reporting year as the contribution is received. Temporarily restricted net assets consist of those resources restricted by donor-imposed criteria and which either expire with the passage of time or by actions of Alzheimer's Tennessee. Permanently restricted net assets consist of funds provided for the establishment of an endowment.

Contributions: Contributions received and unconditional promises to give are measured at their fair values and are considered to be available for the general programs of Alzheimer's Tennessee unless specifically restricted by the donor. Alzheimer's Tennessee reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. As donor restrictions are satisfied by the end of a stipulated time restriction or accomplishment of a purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

The net proceeds received from a special event sponsored by an independent organization over which Alzheimer's Tennessee has no control, but is conducted for Alzheimer's Tennessee benefit is reported as support.

Contributions Receivable: Unconditional promises to give, less an allowance for uncollectible accounts, are recognized as revenue and as assets in the period in which the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Management determines the allowance based on prior collection history with the donor, type of contribution and historical collection trends. Significant contributions receivable due in more than one year are discounted to their present value (estimated fair value) using a rate commensurate with the risks involved. At June 30, 2018 and 2017, there were no discounts recorded for contributions receivable due in more than one year.

Cash and Cash Equivalents: For purposes of the statements of cash flows, Alzheimer's Tennessee considers all unrestricted and temporarily restricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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ALZHEIMER'S TENNESSEE, INC.
Knoxville, Tennessee
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable: Accounts receivable represents outstanding balances owed for participant fees, training fees, symposium registrations and book sales. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Alzheimer's Tennessee considers the credit worthiness of those who request to have a charge account. Service charges are not routinely recorded on accounts that have not been paid by the due date that was agreed to as part of the terms of charging for the service. When an account is determined to be uncollectible it is written-off as a bad debt.

Inventories: Inventory consists of incentive items and is recorded at cost on the first-in, first-out basis.

Leasehold Improvements, Furniture, and Equipment: Leasehold improvements, furniture and equipment, in excess of \$500, are capitalized and are recorded at cost. Donated furniture and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Alzheimer's Tennessee reports expirations of donor restrictions when the donated or acquired assets are placed in service. Depreciation expense for the years ended June 30, 2018 and 2017 was \$28,667 and \$24,185, respectively, computed on a straight-line basis over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the period. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewal or betterments. A song and lyrics "Find the Way" was donated to Alzheimer's Tennessee in a prior year. Alzheimer's Tennessee intends to use the music as a theme. No value has been assigned to this asset because the fair market value of the song is indeterminable.

Donated Equipment, Materials, Services, and Facilities: Alzheimer's Tennessee records the value of donated goods or services when there is an objective basis available to measure their value. Donated equipment, materials and facilities are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. Alzheimer's Tennessee received the use of donated facilities for office space and an adult day care facility with an estimated value of \$49,000 and \$49,000 for the years ended June 30, 2018 and 2017, respectively.

Donated marketable securities are reflected as contributions at the average of the open and closing stock price of the security on the date of the donation per the applicable stock market quotations. During the year ended June 30, 2018 there were no securities received or sold.

Alzheimer's Tennessee receives significant donated services from a substantial number of unpaid volunteers who assist Alzheimer's Tennessee in many of its activities. No amounts have been recognized in the statement of activities for donated services because the criteria for recognition under Statement of Financial Accounting Standards No. 116 have not been satisfied.

Income Taxes: Alzheimer's Tennessee is a non-profit organization as described in Section 501(c)(3) of the U.S. Internal Revenue Code and is exempt from federal and state income taxes. Alzheimer's Tennessee is classified to be other than a private foundation by the Internal Revenue Service. Alzheimer's Tennessee's Forms 990, "Return of Organization Exempt from Income Tax", for the years ending June 30, 2015, 2016, and 2017 are subject to examination by the Internal Revenue Service, generally for three years after the returns are filed.

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ALZHEIMER'S TENNESSEE, INC.
 Knoxville, Tennessee
NOTES TO FINANCIAL STATEMENTS
 Years Ended June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising: Expenses for advertising are recognized as incurred. Expenses totaled \$19,009 for the year ended June 30, 2018 and \$24,117 for June 30, 2017.

Use of Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements are reported amounts of revenue and support and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – CONCENTRATION OF CREDIT RISK FOR DEPOSITS HELD IN BANK

At no time during the year did Alzheimer's Tennessee maintain funds with a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation.

NOTE C – ACCOUNTS RECEIVABLE

Gross accounts receivable and contributions receivable consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Receivables:		
Accounts receivable	\$ 15,014	\$ 18,291
Event sponsorships	<u>-</u>	<u>12,278</u>
Totals	<u>\$ 15,014</u>	<u>\$ 30,569</u>

NOTE D – LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT

Leasehold improvements, furniture and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Vehicles	\$ 32,580	\$ 32,580
Leasehold improvements	284,545	284,545
Furniture and equipment	100,473	97,288
Software	<u>10,100</u>	<u>10,100</u>
	427,698	424,513
Less – Accumulated depreciation	<u>(234,472)</u>	<u>(205,803)</u>
	<u>\$ 193,226</u>	<u>\$ 218,710</u>

(Continued)

ALZHEIMER'S TENNESSEE, INC.
 Knoxville, Tennessee
 NOTES TO FINANCIAL STATEMENTS (Continued)
 Years Ended June 30, 2018 and 2017

NOTE E – RESTRICTED NET ASSETS

The restricted net assets of Alzheimer's Tennessee consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
<u>Temporarily Restricted:</u>		
Bill Legge Fund	\$ 1,730	\$ 1,730
Lucille Thompson	17,694	15,327
ALPS	<u>-</u>	<u>1,114</u>
	19,424	18,171
 <u>Permanently Restricted:</u>		
Vandeventor Endowment	<u>5,000</u>	<u>5,000</u>
Total Restricted Net Assets	<u>\$ 24,424</u>	<u>\$ 23,171</u>

Net assets were released from donor restrictions by satisfaction of grant requirements during years ended June 30, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Restricted Donations		
Lucille S. Thompson Scholarship Fund	\$ 48,747	\$ 34,673
Serving Seniors in Tennessee	<u>-</u>	<u>30,000</u>
	<u>\$ 48,747</u>	<u>\$ 64,673</u>

NOTE F – 401(k) PLAN

Effective February 1, 2000, Alzheimer's Tennessee adopted the Alzheimer's Tennessee 401(k) Profit Sharing Plan (the Plan). The Plan covers all eligible employees who have completed one year of service and attained age 21. Alzheimer's Tennessee matches 25 percent of employees' contributions to the plan up to 4 percent of annual compensation. Alzheimer's Tennessee may also make discretionary contributions. Alzheimer's Tennessee made matching discretionary contributions of \$16,651 and \$14,847 for the years ended June 30, 2018 and 2017, respectively.

NOTE G – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. Certain expenses are charged directly to program, fund-raising, or management categories based on specific identification; while other costs have been allocated based on salary expenditures and an assessment of the time and space devoted to the respective functions.

(Continued)

ALZHEIMER'S TENNESSEE, INC.
 Knoxville, Tennessee
 NOTES TO FINANCIAL STATEMENTS (Continued)
 Years Ended June 30, 2018 and 2017

NOTE H – RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES

	<u>2018</u>	<u>2017</u>
Change in net assets	\$ (233,322)	\$ 584,391
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,667	24,185
Changes in operating assets and liabilities:		
Contributions receivable	15,555	(2,043)
Prepaid expenses	(2,493)	(10,311)
Accounts payable and accrued expenses	23,095	(72,971)
Inventory	<u>18,852</u>	<u>(14,312)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (149,646)</u>	<u>\$ 508,939</u>

NOTE I – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2018, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is December 3, 2018, which is the date on which the financial statements were issued.