ALZHEIMER'S FAMILY SERVICES CENTER

dba ALZHEIMER'S FAMILY CENTER

(A NON-PROFIT CORPORATION)

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

with

INDEPENDENT AUDITORS' REPORT THEREON

PDM

CERTIFIED PUBLIC ACCOUNTANTS

INDEX

Independent Auditors' Report

Board of Directors
Alzheimer's Family Services Center

Report on the Financial Statements

We have audited the accompanying financial statements of Alzheimer's Family Services Center, dba Alzheimer's Family Center (the "Organization", a non-profit corporation), 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.

Auditors' 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 auditors' 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 the Organization 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 the Organization's June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 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.

PDM, LLP

Torrance, California
October 9, 2018

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,399,111	$ 2,098,940
Investments	1,295,844	-
Accounts receivable	276,105	211,292
Grants receivable	100,993	98,879
Pledges receivable	-	75,840
Prepaid expenses	26,967	28,967
	4,099,020	2,513,918
LONG-TERM ASSETS		
Investments	-	783,742
Grants receivable	210,000	-
Property and equipment, net	147,685	159,401
	$ 4,456,705	$ 3,457,061
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 132,681	$ 106,996
Accrued expenses	286,969	255,309
	419,650	362,305
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	3,642,548	2,933,276
Temporarily restricted	394,507	161,480
	4,037,055	3,094,756
	$ 4,456,705	$ 3,457,061

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Summarized Total
REVENUE AND SUPPORT				
Client fees	$ 1,525,706	$ -	$ 1,525,706	$ 1,365,782
Medi-Cal fees	806,151	-	806,151	660,613
Government grants	571,012	-	571,012	497,917
Corporation and foundation grants	2,093,544	415,000	2,508,544	2,272,703
Contributions	175,347	-	175,347	252,043
In-kind facility rent	305,346	-	305,346	300,960
Food program funding	53,486	-	53,486	45,497
Other revenue	33,478	-	33,478	29,110
Interest and dividends	22,111	-	22,111	19,588
Net assets released from restrictions	181,973	(181,973)	-	-
	5,768,154	233,027	6,001,181	5,444,213
EXPENSES				
Program services	4,247,270	-	4,247,270	4,015,439
Supporting services	363,181	-	363,181	352,287
Fundraising	448,431	-	448,431	324,172
	5,058,882	-	5,058,882	4,691,898
CHANGE IN NET ASSETS	709,272	233,027	942,299	752,315
NET ASSETS, beginning of year	2,933,276	161,480	3,094,756	2,342,441
NET ASSETS, end of year	$ 3,642,548	$ 394,507	$ 4,037,055	$ 3,094,756

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	2018				2017
	Program Services	Supporting Services	Fundraising	Total	Summarized Total
Salaries	$ 2,145,467	$ 208,398	$ 183,995	$ 2,537,860	$ 2,306,609
Payroll taxes and benefits	473,226	45,966	40,584	559,776	548,973
Total personnel expenses	2,618,693	254,364	224,579	3,097,636	2,855,582
Transportation	543,565	-	-	543,565	449,580
Facility rent in-kind	258,134	25,074	22,138	305,346	300,960
Outside services	178,357	-	-	178,357	226,232
Repair and maintenance	82,417	8,005	7,068	97,490	83,881
Fundraising consulting costs	-	-	95,711	95,711	17,397
Information technology	61,855	6,008	5,305	73,168	105,897
Food	65,529	-	-	65,529	50,281
Utilities and waste pick-up	52,884	5,137	4,535	62,556	63,566
Community relations/marketing	-	-	61,996	61,996	29,081
Depreciation and amortization	48,082	4,671	4,124	56,877	76,569
Insurance - general	38,907	3,779	3,337	46,023	49,184
Insurance - workers' compensation	36,591	3,554	3,138	43,283	65,236
Administration costs	36,346	3,530	3,117	42,993	49,017
Equipment expenses	26,733	2,597	2,293	31,623	35,581
Telephone	24,936	2,422	2,138	29,496	34,792
Miscellaneous costs	22,991	2,233	1,972	27,196	37,243
Accounting and legal	-	26,135	-	26,135	21,032
Education	24,595	-	-	24,595	10,268
Janitorial and building expense	20,143	1,957	1,728	23,828	4,350
Training	18,228	1,771	1,563	21,562	10,398
Office supplies and expenses	15,659	1,521	1,343	18,523	21,477
Activity center expenses	16,810	-	-	16,810	12,921
Dues and subscriptions	11,096	1,078	952	13,126	22,625
Supplies	13,111	-	-	13,111	13,493
Travel	9,508	923	815	11,246	8,162
Patient care	10,016	-	-	10,016	8,184
Bank charges	-	7,766	-	7,766	11,777
Postage and delivery	4,621	449	396	5,466	4,639
Activity center/outings transport	5,329	-	-	5,329	6,449
Recruiting	2,134	207	183	2,524	1,090
Bad debt expense	-	-	-	-	3,295
Loss on disposal of fixed asset	-	-	-	-	1,658
	$ 4,247,270	$ 363,181	$ 448,431	$ 5,058,882	$ 4,691,897

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 942,299	$ 752,315
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	56,877	76,569
Bad debt expense	-	3,295
Loss on disposal of asset	-	1,658
Changes in operating assets and liabilities:		
Accounts receivable, net	(64,813)	(5,070)
Grants receivable	(212,114)	(7,291)
Pledges receivable	75,840	(58,854)
Prepaid expenses	2,000	(748)
Accounts payable and accrued expenses	57,345	126,270
Net cash flows from operating activities	857,434	888,144
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(45,161)	(22,406)
Purchase of investments	(490,000)	-
Re-investment of interest and dividends	(22,102)	(19,425)
Net cash flows from investing activities	(557,263)	(41,831)
Net change in cash and cash equivalents	300,171	846,313
Cash and cash equivalents, beginning of year	2,098,940	1,252,627
Cash and cash equivalents, end of year	$ 2,399,111	$ 2,098,940

NOTE 1 - ORGANIZATION

About Alzheimer's Family Services Center - Alzheimer's Family Services Center, dba Alzheimer's Family Center (the "Organization") creates happier and healthier days for families affected by the Alzheimer's epidemic in Orange County. The Organization plays a key role in Orange County's continuum of long-term care services by providing affordable access to high quality, culturally appropriate dementia care and supportive services that help families maintain their health, financial security, and quality of life. For 38 years, the Organization has promoted an elevated standard of care for patients with dementia. The Organization's exclusive capacity to provide specialized services to this vulnerable population has been recognized nationally by the Alzheimer's Foundation of America with an "Excellence in Care" designation. At present, the Organization is one of just six other facilities in California to hold this prestigious designation.

Since 1980, the Organization has served the growing number of families who are affected by the Alzheimer's epidemic in Orange County, a community that is aging at a faster rate than the rest of California and the rest of the nation. Less than 20 years from now, the number of seniors and family caregivers affected by the disease will more than double from 150,000 to nearly 400,000 individuals. The Organization is Orange County's trusted day care resource for dementia patients – and their families.

- As Orange County's first day care program exclusively devoted to treating people with dementia, the Organization has a long and proven track record of helping Alzheimer's patients and their families successfully cope with the many challenges of memory loss.
- In addition to the Organization's day care programs for dementia patients, the Organization provides much-needed respite, support and resources for family caregivers.
- The Organization is often able to detect health problems early on – before patients become serious medical concerns.
- The Organization's medical oversight, enhanced nursing services, fall prevention interventions, and ongoing patient monitoring paves the way for improved patient outcomes.

The Organization is licensed by the California Department of Public Health and certified as a Medi-Cal provider by the Department of Aging, Adult Day Health Care Branch. The Organization holds a dual license, under which it is able to provide both adult day health and social day care services.

The Organization is also a state-designated Alzheimer's Day Care Resource Center. As such, the Organization focuses on providing services to persons with Alzheimer's disease or a related dementia, particularly those with moderate-to-severe dementia, and their families.

NOTE 1 - ORGANIZATION, Continued

Mission - The Organization's mission is to improve the quality of life for families challenged by Alzheimer's disease, or another dementia, through services tailored to meet individual needs.

Program services - The Organization is committed to serving both dementia patients and their family caregivers, who are the primary source of care for individuals with dementia. The Organization's services are grounded in the latest research and clinical guidelines for dementia care, and include:

> *New Connections Club* – The Organization's early-stage track of adult day health care programming provides medical, rehabilitative, psychosocial, and nutritional benefits based on an individualized plan of care within the context of a stimulating recreational program.
>
> *Friendship Club* – The Organization's adult day health care program for individuals as they transition into the moderate-to-severe stages of dementia.
>
> *Enhanced Nutrition Services* – Enhanced meals based on dietary assessments and individualized nutritional plans that optimize the nutritional status of the Organization's adult day health care patients. These services are designed to overcome challenges such as the need for feeding assistance, the presence of challenging eating behavior disturbances, problems with motor coordination, concentration, and swallowing as memory loss progresses.
>
> *Saturday Respite Program* – An adult day program (social model) offered Saturdays from 9 a.m. to 3 p.m. (closed Sundays) that meets the therapeutic and supervisory needs of frail, older adults, who may otherwise be left at home unsupervised. This program provides a respite for the caregiving family.
>
> *Adult Day Care Program* – A day care for adults in a supervised, protective, congregate setting during some portion of a day. Services offered typically include social and recreational activities, training, counseling, and other services.
>
> *Intensive Care Management Support* – The Organization assigns a social worker and a nurse to each family caregiver who has a loved one enrolled in the Organization's adult day health care. These professionals become "partners in caring" and can be called upon as needed to troubleshoot issues in care.

NOTE 1 - ORGANIZATION, Continued

Individualized Assessments – All participants enrolling in the Organization's adult day care programs receive comprehensive three-day assessments to measure baseline psychosocial and health functioning.

Outpatient Behavioral Health Program **–** Patients who attend Adult Day Health Care and need behavioral/mental health services and caregivers may be eligible to receive outpatient Behavioral Health Services onsite at the Organization. The Organization's outpatient Behavioral Health Services include psychotherapy, education/training, counseling, group therapy, behavioral therapy, psychiatric evaluation and consultation, and psychological testing as recommended by the Physician or Qualified Non-Physician. Short-term counseling services are offered to caregivers to provide an "extra boost" when a caregiver needs focused support to develop and implement solutions for problems in care. Services are provided by a licensed or supervised clinician.

Information, Referral, And Linkages To Appropriate Community Resources – Upon calling the center, every caregiver is connected with a case manager who will listen, provide answers, problem-solve, and link the family to appropriate and diverse resources.

Caregiver Support Groups – Caregivers community-wide have access to a free support group offered twice monthly at the Organization and facilitated by one of the Organization's masters-level clinicians. Support groups represent an important vehicle for caregivers to gain knowledge, skills and support from their peers as well as professional leaders.

Caregiver Depression Screenings – The Organization provides depression screenings and assessment of family caregivers based on clinical need.

Mind Boosters Series – A four-week evidence-based educational intervention that equips older adults in the community with the tools needed to maximize and maintain their brain health, learn prevention and risk management strategies for cognitive decline, and gain information about aging and memory loss.

Mind and Memory Intensive Outpatient Program– An Intensive Outpatient program (mental health) for patients who have both a mental health diagnosis and a cognitive impairment. This program is a partnership between Mission Hospital and Alzheimer's Family Center and licensed by the California Department of Public Health. Located on the Mission Hospital campus, the Mind and Memory program provides half-day mental health treatment including individual therapy, group therapy, and psychiatric services, as well as transportation, enrichment, and lunch, and may be covered by insurance.

NOTE 1 - ORGANIZATION, Continued

All services are provided by an expert staff of professionals rich in cultural, linguistic, and professional diversity.

FY 2017-18 service accomplishments – Across fiscal year 2017-18, the Organization provided:

- 24,967 patient days of care for 274 unduplicated individuals affected by Alzheimer's disease or another dementia, including medical, therapeutic, nutritional, personal care.
- 28,245 trips between patient homes and the Organization's Huntington Beach and Mission Viejo locations with its door to door transportation service.
- 10,960 hours of intensive care management by social workers and nurses for 274 unduplicated patients and 635 caregivers of patients with Alzheimer's disease or another dementia.
- 1,100 nursing interventions to notify physicians and families of a change in patient's condition and coordinate medical interventions.
- 51,809 meals served to the Organization's patients that meet or exceed nutritional standards for geriatric patients.
- 1,358 hours of behavioral health services provided to patients and caregivers through Outpatient Services Behavioral Health program.
- 1,610 units of service have been provided to 77 patients since the opening of Mind and Memory Intensive outpatient program in January 2018.
- Over 150 attendees to caregiver support groups annually at the Organization.
- Over 400 hours of community-based education offered by dementia professionals focusing on early intervention, risk reduction and healthy brain aging.
- Reached 9,784 individuals across Southern California via 33 community-based events.

Starting October 2018, the Organization will be expanding its hours to better meet patient's needs. An Adult Evening Program will be available every Wednesday from 4:00pm to 9:00pm and a regular Adult Day Health Care services will be available on Saturdays.

Through the Organization's continuum of dementia care services, the Organization is equipping Orange County families with the direct care, support, and knowledge they need to delay costly institutionalization of their memory-impaired loved ones.

NOTE 1 - ORGANIZATION, Continued

Funding - The Organization is primarily funded through private and government grants, contributions, and private and government subsidized fees for care services. Hoag Memorial Hospital Presbyterian's ("Hoag Hospital") support includes contributions for facilities, maintenance, transportation costs and the executive director's and dementia education specialist's salaries and benefits. Hoag Hospital's support represents approximately 30% of total revenue and other support. If the Organization's relationship with Hoag Hospital were to be terminated, it would likely cause a significant impact on the Organization's operations. Hoag Hospital has committed to continue their support through June 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

> *Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations. These assets are available to support the Organization's activities and operations at the discretion of the Board of Directors.
>
> *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met either by actions of the donor, the Organization, and/or the passage of time.
>
> *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that the corpus be maintained permanently by the Organization. The donors of these assets permit the Organization to use all or part of the income or gains earned on related investments for general (unrestricted) or specific (temporarily restricted) purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributions and pledges - Contributions and pledges are recognized at fair value when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

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

Fair value of financial instruments - Financial instruments primarily consist of accounts receivable, pledges receivable, grants receivable, and investments. The Organization estimates that the fair value of its financial instruments at June 30, 2018 does not differ materially from its aggregate carrying value recorded in the accompanying statements of financial position. Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Investments - Investments in certificates of deposit are classified as available-for-sale and reported at fair value. Realized gains and losses (computed by the specific identification method) and unrealized gains and losses are included in the statement of activities. Interest and dividend income are recorded on the accrual basis of accounting.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fair value measurements - The Organization defines fair value 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. The Organization measures fair value under a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

An asset's 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.

Concentration of credit risk - The assets that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, accounts receivable, and investments.

Cash and cash equivalents - For the purpose of reporting cash flows, cash and cash equivalents include operating cash held in banks, money market funds, and investments with an original maturity of three months or less. The Organization maintains its cash balances in financial institutions, the balances of which may, at times, exceed federally insured limits.

Client fees, Medi-Cal fees, Medicare fees, and accounts receivable - Accounts receivable include client fees, Medi-Cal fees and Medicare fees for services rendered prior to June 30, 2018. Due to the complexities of the Medi-Cal program, Medi-Cal fees are recorded at net realizable value. As such, revenue is net of allowances for doubtful accounts, discounts, scholarships, and other courtesy or policy discounts. The Organization uses the allowance method to determine the collectability of its receivables. Based on prior years' experience and management's analysis of the receivable, the Organization believes that all receivables will be fully collected.

Grants receivable and revenue - The Organization receives a majority of its total grant revenue from foundations, corporations, and governmental agencies. Governmental agencies pay the Organization based on units of service provided or reimbursable costs as defined by the grants. The compensation and reimbursements recorded under these grants are subject to audit. Management believes that material adjustments will not result from subsequent audits, if any, of costs reflected in the accompanying financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The Organization uses the allowance method to determine the collectability of its grants. Based on prior years' experience and management's analysis of the grants, the Organization believes that all grants will be fully invoiced and collected within the contracted grant period and, as such, no allowance for uncollectible amounts has been recorded as of June 30, 2018. Any unexpended funds are reverted to the grantor at the close of the grant period. The Organization charges any unexpended funds to a loss on settlement, which offsets with net assets released from restrictions in the period in which that determination is made.

Property and equipment - Property and equipment are recorded at cost with the exception of donated equipment, which is stated at fair market value at the date of receipt. The Organization capitalizes all expenditures for property and equipment in excess of $500. Leasehold improvements are capitalized at cost and are amortized over the shorter of the lease term or the estimated useful life of the related asset. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the assets.

When property and equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is credited or charged to operations. Normal repairs and maintenance are expensed as incurred. Expenditures which materially adapt, improve, or alter the nature of the underlying assets are capitalized.

Management of the Organization assesses the recoverability of property and equipment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The evaluation is performed by determining whether the depreciation and amortization of such assets over their remaining lives can be recovered through projected undiscounted cash flows. The amount of impairment, if any, is measured based on fair value and is charged to operations in the period in which such impairment is determined by management. To date, management has not identified any impairment of long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Organization's products will continue, which could result in impairment of long-lived assets in the future.

Contributed goods and services - Contributions of services are recognized in the financial statements (as in-kind revenue and a corresponding in-kind expense) if the services enhance or create non-financial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Numerous unpaid volunteers (approximately 4,800 hours) have made significant contributions of their time to the different program services. The value of these contributions is not reflected in these statements since they do not meet the criteria for recognition as contributed services.

The Organization received donated professional services from corporations. Management estimates that fair market value of these services was $30,250 for the year ended June 30, 2018, which is included in contributions and administrative costs.

Expense allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among program services, supporting services, and fundraising based on estimated usage. Usage is calculated using an appropriate methodology such as percentage of staff time.

Income taxes - The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and the corresponding provisions of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization is subject, however, to Federal and California income taxes on unrelated business income as stipulated in the Internal Revenue Code.

The Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. To date, the Organization has not recorded any uncertain tax positions. The Organization recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the year ended June 30, 2018, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

As of June 30, 2018, the Organization's federal tax returns since the 2014 tax year and state tax returns since the 2013 tax year remain open for examination by the tax jurisdictions. No tax returns are currently being examined by any taxing authorities.

Risks and uncertainties - Certain of the Organization's services are governed by grants and contracts from governmental agencies and private sources. There can be no assurance that the Organization will be able to obtain future grants as deemed necessary by management, although management believes that there is no current indication that grants and contracts are in jeopardy. The loss of certain of the current grants, or the inability to obtain future grants, could have an adverse effect on the Organization's financial position and results of operations. Failure of the Organization to comply with applicable regulatory requirements can result in, among other things, loss of funding, warning letters, fines, injunctions, and civil penalties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Comparative totals - The financial statements include certain prior year summarized comparative information in total, but not by net asset class. In addition, the notes to the financial statements do not contain the financial information on a comparative basis. Such summarized information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Subsequent events - Subsequent events have been evaluated by the Organization through October 9, 2018, which is the date these financial statements were issued, and no subsequent events have arisen, other than those described in these financial statements, that would require disclosure.

NOTE 3 - INVESTMENTS

Investments are maintained in certificates of deposit valued at quoted market prices in an exchange and active market, which represent the net asset value of certificates held by the Organization at year-end (Level 1). Interest rates range from 1.8% to 3.0%, and all certificates will mature within one year.

The preceding methods described may produce a fair value calculation 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.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2018 consists of:

Leasehold improvements	$	260,716
Computer equipment		148,017
Office furniture and fixtures		86,243
Communication and healthcare equipment		62,851
		557,827
Less: accumulated depreciation and amortization		(410,142)
	$	147,685

NOTE 5 - IN-KIND RELATED PARTY FACILITY LEASES

Huntington Beach - The Organization has an in-kind operating lease agreement with Hoag Hospital for its Huntington Beach facility. The lease states the fair value of monthly rents of $25,632 through September 30, 2018, with annual incremental rent increases each year thereafter through September 30, 2020. The lease includes a provision whereby the base monthly rents are abated by Hoag Hospital. The Organization assumes responsibility for operating the facility in accordance with all terms and conditions of the lease. The Organization is also responsible for utilities, liability insurance, and repairs and maintenance expenses. The estimated fair value of the rent was $305,346 for the year ended June 30, 2018.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of June 30, 2018:

Purposes/Programs	June 30, 2017	Additions	Releases	June 30, 2018
Education Library for Dementia Caregivers	$ 35,635	$ -	$ (35,635)	$ -
Multiple program purposes	75,840	-	(75,840)	-
Intensive Outpatient Program	20,000	-	(13,232)	6,768
Nutrition Enhancement Project	30,005	35,000	(46,385)	18,620
Dementia services	-	15,000	(3,750)	11,250
MEDPLUS program	-	15,000	(7,131)	7,869
Transportation services	-	50,000	-	50,000
Evening program / Caregiver Counseling	-	300,000	-	300,000
	$ 161,480	$ 415,000	$ (181,973)	$ 394,507

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Legal - The Organization may be involved from time to time in various claims, lawsuits and disputes with third parties, and/or government agencies, actions involving allegations or discrimination or breach of contract actions incidental in the normal operations of the business. The Organization is currently not involved in any litigation which management believes could have a material adverse effect on its financial position or results of operations.

NOTE 8 - EMPLOYEE RETIREMENT PLAN

The Organization maintains a defined contribution retirement plan, referred to as the Savings Incentive Match Plan for Employees Individual Retirement Account (SIMPLE IRA, or the Plan). The Organization contributed $36,918 to the Plan on behalf of eligible employees during the year ended June 30, 2018.