

**ALZHEIMER'S FAMILY SERVICES CENTER**

**FINANCIAL STATEMENTS**

*June 30, 2011*

WITH

INDEPENDENT AUDITORS' REPORT

## ALZHEIMER'S FAMILY SERVICES CENTER

### CONTENTS

	<u>Page</u>
Our Mission, Our Vision and Our Values Statements	i
Fiscal Year 2010-11 Highlights	ii
History and Services	iii
Sustainability	vi
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

## Our Mission

Our mission is to improve quality of life for families challenged by Alzheimer's disease or another dementia through services tailored to meet individual needs.

## Our Vision

Alzheimer's Family Services Center is nationally recognized for innovation and excellence in serving families challenged by Alzheimer's disease or another dementia.

## Our Values

Alzheimer's Family Services Center is committed to the core values of **Excellence, Innovation, Quality Care, Respect, Integrity and Client-Centeredness.**





---

## Fiscal Year 2010-11 Highlights

---

- Alzheimer's Family Services Center (AFSC) celebrated 31 years as a leading provider of dementia care in Orange County.
- Executive Director, Dr. Cordula Dick-Muehlke was appointed to the American Society on Aging's (ASA) Healthcare & Aging Network (HAN) Leadership Council. HAN is a professional community of individuals and organizations working to promote innovative, high-quality approaches to meeting the healthcare needs of older adults. The network facilitates information exchange and collaboration among policymakers, researchers, and service providers. Dr. Dick-Muehlke serves as co-chair for *Aging Today Online*, a quarterly e-newsletter supplement to *Aging Today* that draws on the rich knowledge base of ASA's constituent groups and fosters community among professionals in the field of aging.
- Alzheimer's Family Services Center developed an affordably priced kit containing easy-to-use *Memory Care Tools* that caregivers of individuals with Alzheimer's disease or another dementia can use to help alleviate challenging behaviors that can be difficult to manage in the home environment. These tools promote mental and physical stimulation, stress reduction, reminiscence, self-expression, purposefulness, and a sense of security. Originally developed by AFSC as part of a joint pilot project with Hoag Memorial Hospital Presbyterian in 2008, *Memory Care Tools* were coupled with training of healthcare professionals (i.e., nurses, personal care assistants) to promote use of person-centered strategies, rather than physical or chemical restraints, for managing difficult behaviors (e.g., resistance to care) while patients with dementia are hospitalized.
- Alzheimer's Family Services Center's Meal Program received the *Award of Excellence* for 2010. This award is given by the Orange County Environmental Health Division on an annual basis to establishments that consistently protect the individuals of Orange County through excellence in food safety and sanitation.
- Through its affiliation with the Hoag Neurosciences Institute, Alzheimer's Family Services Center is collaborating with the new Orange County Vital Aging Program (OCVAP), funded by the UniHealth Foundation and led by Dr. William Rodman Shankle, Program Director of the Institute's Memory and Cognitive Disorders Program. The OCVAP is a communitywide effort to raise knowledge about Alzheimer's disease and related disorders, encourage risk factor management, facilitate early intervention against cognitive impairment, and improve standards of care.

Over 6,100 unduplicated individuals were reached by Alzheimer's Family Services Center in FY 10-11, including 214 adult day health care participants, 663 callers, and 5,169 education and outreach attendees.

---

## History and Services

---

In 1980, a small group of visionary community leaders, committed to ending the practice of leaving confused, forgetful elders alone to pace hospital halls, founded Alzheimer's Family Services Center (AFSC). Our founders welcomed a handful of elders to a parish hall to enjoy days filled with meaningful, pleasurable activities. What began three decades ago in a church as an all-volunteer effort is now a state-of-the-art, dementia-specific facility where persons with Alzheimer's disease or another dementia receive compassionate care, and families can access much-needed support and education.

Licensed by the California Department of Public Health, AFSC was one of the first Alzheimer's Day Care Resource Centers in California and remains the only one in Orange County. As an expert in dementia care, AFSC provides caregivers, at-risk seniors and health care professionals with accurate information about memory loss. Deeply embedded within the Orange County community, AFSC has developed a network of partnerships to advance its mission. Notably, AFSC is affiliated with the Hoag Neurosciences Institute and engaged in joint efforts to improve early identification of cognitive problems among at-risk community members as well as hospital and post-discharge care of patients with dementia. Similarly, for the UCI Institute of Memory Impairments and Neurological Disorders, AFSC provides a link to critical community-based services that families need. Through its communitywide efforts, AFSC is transforming dementia care from a "nothing can be done" to a proactive approach—one family at a time.

AFSC's services are designed to promote the continued dignity and personhood of individuals across the course of dementia and ensure families have access to the resources they need to provide the best possible care for loved ones. Grounded in the latest research and clinical guidelines, AFSC's services include:

**Dementia-Specific Adult Day Health Care (ADHC)** - AFSC offers a comprehensive set of ADHC services tailored to the changing needs of persons from the earliest to most advanced stages of dementia. A state-of-the-art, dementia-specific facility with a secure perimeter; a high staff-to-participant ratio of 1:5, far exceeding minimum regulatory requirement of 1:16 and the average 1:7 at other centers; specialized programming, and expertise in dementia care differentiate ADHC services at AFSC from those available elsewhere in the county. Every day in FY 10-11, an average of 77 participants received medical, rehabilitative, psychosocial, and nutritional ADHC services based on an individual plan of care within the context of a stimulating recreational program. Notably, AFSC has the expert capacity to continue care of participants who have been denied services at, or discharged from sister centers, due to difficult-to-manage behaviors such as wandering or aggressiveness.

Based on a multidisciplinary assessment, conducted every 6 months, each participant receives a

---

set of services matched to individual needs. All care is provided under the supervision of a medical director and coordinated with each participant's primary care physician. Through its extensive fund development efforts, AFSC ensures affordability of ADHC services as families, on average, are able to pay only \$83, with daily fees reduced to as low as \$55 for some, against a stated rate of \$95 and an actual \$140 per day cost.

**Caregiver Assistance** - Care management support available to every caller at no cost includes information and referral, ad hoc telephone and in-person consultation, and relationship-building home visits designed to address high-risk situations (e.g., living alone). As partners in care, these professionals support the caregiver in developing solutions for everyday challenges ranging from difficult behaviors to physician communication. Our care managers also link families to services at AFSC or elsewhere, as appropriate, and provide support as needed to ensure a successful connection.

**Caregiver Support Groups** - Caregivers communitywide have access to a free monthly support group offered twice monthly by AFSC in collaboration with the Alzheimer's Association of Orange County. Support groups represent an important vehicle for caregivers to gain knowledge, skills, and support from their peers as well as a professional leader. Further, support groups serve as a testing ground for caregivers to "run ideas by" others, particularly when trying to manage a difficult behavior like wandering. Caregivers learn successful strategies from others, try them, and return to "report in," creating a continuous feedback loop.

**Short-Term Counseling Services** - Short-term counseling provides an "extra boost" when a caregiver needs focused support to develop and implement solutions for problems in care. Individual, family, and couples counseling is available to help address problems such as family conflicts over care, negative emotions, depression, unhealthy caregiving styles, and difficult transitions (e.g., placing a loved one in long-term care). AFSC offers this service in multiple formats (i.e., session-by-session or in sets of sessions to facilitate adjustment to the diagnosis, crisis management and caregiver skill building).

**Caregiver Education** - Access to accurate knowledge about dementia diagnosis, treatment, and care is critical to caregiver well-being. Caregiver education services are designed to empower attendees with essential knowledge and coping skills and, thereby, help attenuate caregiver risk for mental and physical health problems.

**Community Education & Outreach** - Dementia education and outreach services are designed to improve community health by addressing the lack of accurate information about dementia diagnosis, treatment, and available care-related services among at-risk seniors, families, and

health care professionals. Education and outreach efforts range from classes for health care professionals to participation in health fairs and large community events countywide. All services are provided by an expert staff of 44 professionals rich in cultural, linguistic, and professional diversity under the leadership of Cordula Dick-Muehlke, Ph.D., a licensed clinical psychologist and recognized expert in dementia care. As a leader in dementia care with a broad continuum of specialized services, AFSC is deeply embedded in the Orange County community, reaching 6,160 unduplicated individuals in FY 10-11 alone:

- 214 unduplicated elders received dementia-specific adult day health care, tailored to individual needs by a multidisciplinary clinical team that includes nurses, social workers, physical, occupational, and speech therapists, activity professionals, a dietician, a pharmacist, and a medical director.
- 663 callers benefitted from information and referral, supportive telephone and in-person counseling, and/or relationship-building home visits.
- 2,506 caregivers, at-risk seniors, and health care professionals gained knowledge and skills via 86 educational sessions.
- 2,663 community members learned about dementia and available services via 210 outreach activities.
- 114 caregivers learned from each other through 91 support group sessions, led by one of AFSC's dementia care experts.

Persons with Alzheimer's disease, their families, health care professionals, and the community at-large receive multiple benefits from services. Evaluations of ADHC, caregiver support, and education services in FY 10-11 yielded the following positive results.

- 95% of caregivers responding to the FY 10-11 adult day health care survey reported finding it easier to continue caring for a loved one since enrollment. Additionally, 86% reported being less stressed.
- 100% of caregivers responding to the FY 10-11 support group survey reported being better able to manage a loved one's care and 81% reported being less depressed as a result of attending.
- 100% of counseling clients surveyed in FY 10-11 reported improved communication, problem-solving, and communication skills. 100% of callers surveyed in FY 10-11 reported implementing one or more suggestions made by the care manager, and being willing to call back AFSC for additional, support, or resources if needed.
- 97% of individuals attending education activities reported increased knowledge about Alzheimer's disease, and 99% the intent to implement strategies learned.

The story of Elle and David exemplifies the impact that we are having on families endeavoring to stay together across the course of dementia.



---

*At the age of 67, Elle received the devastating news that she had Alzheimer's disease. She and her husband of over 45 years, David, were taken by surprise. Elle and David had just recently retired and had hoped to spend their time together traveling.*

*Elle, now 75, is in the advanced stages of dementia. She suffers from erratic behaviors including agitation, delusions, wandering, and depression. The stress of caregiving has compromised David's health, impeding his ability to continue caring for Elle at home. The couple's adult children work full-time, so the family had considered placing Elle in a 24-hour care facility. A friend of the family learned of this and shared information she had regarding Alzheimer's Family Services Center (AFSC).*

*Elle now attends the center 4 days a week, giving David some much-needed respite and the time to look after his own health concerns. David also takes advantage of AFSC's caregiver support services.*

*AFSC's comprehensive services have empowered Elle's family to provide compassionate and respectful care at home. Not only has Elle benefited from intensive care management and daily socialization with her peers, but by attending AFSC's support groups and education workshops, David and the entire family have gained the communication and coping skills needed to ease the burden of care.*

---

## Sustainability

---

Although the economic downturn continued to pose significant challenges for AFSC in FY 10-11, we were able to meet the demand for high-quality dementia services in our community by implementing a plan of action that included budget reductions, as well as diversification of funding streams to fill expected and unexpected budget gaps. To ensure that families in our community continue to have access to high-quality services they can rely on, AFSC has implemented a comprehensive fund development plan that includes the following objectives:

- Seek funding from foundation, corporate, government, and private sources via extensive grant writing efforts.
- Raise funds via the agency's annual gala, *A Gathering of Friends*.
- Maintain the agency's online giving strategy to reach new donors through email solicitations, the Internet, and social media (i.e. Facebook).
- Maintain the agency's year-round annual, major and planned giving programs.
- Engage volunteers in grassroots fundraising efforts such as rummage sales.

Through these various efforts, AFSC is committed to raising approximately \$1.5 million in charitable income in FY 11-12, or close to 50% of its \$3.3 million operating budget.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Alzheimer's Family Services Center  
Huntington Beach, California

We have audited the accompanying statement of financial position of Alzheimer's Family Services Center ("the Center") (a nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center's June 30, 2010 financial statements and, in our report dated August 5, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Link, Murrel & Co.*

Irvine, California  
September 19, 2011

ALZHEIMER'S FAMILY SERVICES CENTER

STATEMENT OF FINANCIAL POSITION

June 30, 2011  
(with summarized totals for 2010)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Totals</u> June 30, 2011	<u>Totals</u> June 30, 2010
Current Assets:				
Cash and cash equivalents	\$ 274,689	\$ 24,167	\$ 298,856	\$ 241,939
Accounts receivable, net	142,689	-	142,689	186,546
Unconditional promises to give	4,584	-	4,584	-
Grants receivable	93,553	40,000	133,553	137,436
Inventory	3,376	-	3,376	2,856
Prepaid expenses	22,313	-	22,313	39,975
Deposits	3,192	-	3,192	3,192
	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Assets	544,396	64,167	608,563	611,944
Property and Equipment:				
Computer equipment	172,844	-	172,844	162,500
Office furniture and fixtures	54,286	-	54,286	40,624
Communication and health care equipment	40,017	-	40,017	39,184
Leasehold improvements	25,431	-	25,431	25,431
	<hr/>	<hr/>	<hr/>	<hr/>
	292,578	-	292,578	267,739
Less accumulated depreciation	<u>(198,439)</u>	<hr/>	<u>(198,439)</u>	<u>(163,526)</u>
Net Property and Equipment	<hr/>	<hr/>	<hr/>	<hr/>
	94,139	-	94,139	104,213
Total Assets	<u>\$ 638,535</u>	<u>\$ 64,167</u>	<u>\$ 702,702</u>	<u>\$ 716,157</u>

See accompanying notes.

ALZHEIMER'S FAMILY SERVICES CENTER

STATEMENT OF FINANCIAL POSITION

(Continued)

June 30, 2011

(with summarized totals for 2010)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Totals</u> June 30, 2011	<u>Totals</u> June 30, 2010
Current Liabilities:				
Accounts payable	\$ 113,036	\$ -	\$ 113,036	\$ 107,335
Accrued expenses	<u>152,261</u>	<u>-</u>	<u>152,261</u>	<u>166,300</u>
Total Current Liabilities	265,297	-	265,297	273,635
Net Assets:				
Unrestricted	373,238	-	373,238	390,522
Temporarily restricted	<u>-</u>	<u>64,167</u>	<u>64,167</u>	<u>52,000</u>
Total Net Assets	<u>373,238</u>	<u>64,167</u>	<u>437,405</u>	<u>442,522</u>
Total Liabilities and Net Assets	<u>\$ 638,535</u>	<u>\$ 64,167</u>	<u>\$ 702,702</u>	<u>\$ 716,157</u>

See accompanying notes.

# ALZHEIMER'S FAMILY SERVICES CENTER

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011  
(with summarized totals for 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals June 30, 2011</u>	<u>Totals June 30, 2010</u>
<b>Revenues and Other Support:</b>				
Grants	\$ 1,616,635	\$ 85,000	\$ 1,701,635	\$ 1,399,889
Contributions	601,636	-	601,636	549,706
Client fees	1,224,823	-	1,224,823	1,238,556
Medi-Cal fees	431,445	-	431,445	443,666
Special events revenue, net of cost of direct benefits to donors of \$46,637	191,975	-	191,975	175,064
Food program funding	39,244	-	39,244	36,493
Miscellaneous income	629	-	629	16,666
Interest and dividends	<u>334</u>	<u>-</u>	<u>334</u>	<u>569</u>
Total Revenues and Other Support	4,106,721	85,000	4,191,721	3,860,609
<b>Net Assets Released from Restrictions:</b>				
Expiration of time restrictions	52,000	(52,000)	-	-
Restrictions satisfied by payments	<u>20,833</u>	<u>(20,833)</u>	<u>-</u>	<u>-</u>
Total Net Assets Released from Restrictions	<u>72,833</u>	<u>(72,833)</u>	<u>-</u>	<u>-</u>
Total Revenues, Other Support and Net Assets Released from Restrictions	4,179,554	12,167	4,191,721	3,860,609
<b>Expenses:</b>				
Program services	(3,210,409)	-	(3,210,409)	(3,035,360)
Supporting services - General and Administrative	(585,305)	-	(585,305)	(485,002)
Supporting services - Fundraising	<u>(401,124)</u>	<u>-</u>	<u>(401,124)</u>	<u>(415,001)</u>
Total Expenses	<u>(4,196,838)</u>	<u>-</u>	<u>(4,196,838)</u>	<u>(3,935,363)</u>
Increase (Decrease) in Net Assets	(17,284)	12,167	(5,117)	(74,754)
Net Assets, Beginning of Year	<u>390,522</u>	<u>52,000</u>	<u>442,522</u>	<u>517,276</u>
Net Assets, End of Year	<u>\$ 373,238</u>	<u>\$ 64,167</u>	<u>\$ 437,405</u>	<u>\$ 442,522</u>

See accompanying notes.

# ALZHEIMER'S FAMILY SERVICES CENTER

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2011  
(with summarized totals for 2010)

	Program Services	Supporting Services		Totals	Totals
		General	Fundraising	2011	2010
Salaries	\$ 1,568,621	\$ 296,766	\$ 254,371	\$ 2,119,758	\$ 2,022,915
Payroll taxes and benefits	<u>317,464</u>	<u>60,061</u>	<u>51,481</u>	<u>429,006</u>	<u>394,086</u>
	1,886,085	356,827	305,852	2,548,764	2,417,001
Accounting and legal	-	113,566	-	113,566	60,229
Activity center expenses	8,112	-	-	8,112	13,110
Activity center/outings transportation	668	-	-	668	217
Administration costs	8,429	1,595	1,367	11,391	13,305
Bad debts	80,970	-	-	80,970	16,417
Bank charges	3,971	751	644	5,366	6,473
Community relations/marketing	9,012	17,090	5,000	31,102	25,427
Data base development	25,559	-	-	25,559	40,890
Dues and subscriptions	16,054	3,037	2,603	21,694	20,973
Education	16,827	-	-	16,827	9,468
Equipment expenses	3,545	671	575	4,791	4,992
Food	45,591	-	-	45,591	41,954
Fundraising	-	-	9,710	9,710	19,503
Information technology	8,844	1,673	1,434	11,951	12,618
Insurance - general	31,210	5,905	5,061	42,176	28,724
Insurance - workers' compensation	33,831	6,401	5,486	45,718	52,392
Janitorial and building expense	9,675	1,831	1,569	13,075	13,218
Miscellaneous costs	7,772	3,226	813	11,811	13,589
Office supplies and expense	20,395	3,858	3,307	27,560	20,588
Outside services	92,672	3,140	2,691	98,503	112,967
Patient care	7,486	-	-	7,486	8,396
Payroll service expense	3,249	615	527	4,391	3,852
Postage	5,323	1,007	863	7,193	7,558
Recruiting	-	1,274	-	1,274	2,040
Rent	190,920	36,120	30,960	258,000	244,087
Repairs and maintenance	54,682	10,345	8,867	73,894	51,506
Supplies	4,446	-	-	4,446	6,229
Telephone	15,836	2,996	2,568	21,400	20,308
Training	-	279	-	279	1,508
Transportation	550,016	-	-	550,016	553,172
Travel	2,406	455	390	3,251	4,210
Utilities and trash pick- up	<u>40,988</u>	<u>7,755</u>	<u>6,647</u>	<u>55,390</u>	<u>54,431</u>
Expenses before depreciation	3,184,574	580,417	396,934	4,161,925	3,901,352
Depreciation	<u>25,835</u>	<u>4,888</u>	<u>4,190</u>	<u>34,913</u>	<u>34,011</u>
Total Expenses	<u>\$ 3,210,409</u>	<u>\$ 585,305</u>	<u>\$ 401,124</u>	<u>\$ 4,196,838</u>	<u>\$ 3,935,363</u>

See accompanying notes.

ALZHEIMER'S FAMILY SERVICES CENTER

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2011  
(with summarized totals for 2010)

**Increase (Decrease) in Cash and Cash Equivalents**

	<u>2011</u>	<u>2010</u>
<b>Cash Flows from Operating Activities:</b>		
Decrease in net assets	\$ (5,117)	\$ (74,754)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	34,913	34,011
Provision for doubtful accounts	75,000	(10,000)
Bad debts	5,970	26,417
Donated property and equipment	(10,460)	-
(Increases) decreases in:		
Accounts receivable	(37,113)	(32,964)
Promises to give	(4,584)	5,250
Grants receivable	3,883	8,618
Inventory	(520)	(2,856)
Prepaid expenses	17,662	(24,336)
Increases (decreases) in:		
Accounts payable	5,701	(46,465)
Accrued expenses	(14,039)	6,771
Total adjustments	<u>76,413</u>	<u>(35,554)</u>
Net Cash Provided by (Used in) Operating Activities	71,296	(110,308)
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	<u>(14,379)</u>	<u>(43,554)</u>
Net Cash Used In Investing Activities	<u>(14,379)</u>	<u>(43,554)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	56,917	(153,862)
Cash and Cash Equivalents, Beginning of Year	<u>241,939</u>	<u>395,801</u>
Cash and Cash Equivalents, End of Year	<u>\$ 298,856</u>	<u>\$ 241,939</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

See accompanying notes.

ALZHEIMER'S FAMILY SERVICES CENTER  
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. Summary of Significant Accounting Policies

Organization and Nature of Services

Founded in 1980 as the South Coast Institute for Applied Gerontology, a California nonprofit corporation, for the care of people with Alzheimer's disease and other age related afflictions in Orange County, the organization changed its name in September 1994 to Adult Day Services of Orange County and expanded its services to include adult day health care as well as social day care. In June 2007, the organization changed its name again to Alzheimer's Family Services Center (the "Center") to better reflect the Center's mission and continued service expansion, as well as make it easier for families to find the Center's services.

The Center 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 Center holds a dual license, under which it is able to provide both adult day health and social day care services.

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

Basis of Accounting

The Center prepares its financial statements using the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

# ALZHEIMER'S FAMILY SERVICES CENTER

## NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2011

### 1. Summary of Significant Accounting Policies - (Continued)

#### Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958-205, *Financial Statements of Not-for Profit Organizations*. Under FASB ASC 958-205, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2011, there are no permanently restricted net assets.

#### 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 disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

#### Fair Value Measurements

The Center follows the provisions of FASB ASC 820, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. FASB ASC 820 defines fair values 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. FASB ASC 820 also establishes framework for measuring fair value and expands disclosures about fair value measurements (Note 2).

The carrying value of cash and cash equivalents, accounts receivable, unconditional promises to give, grants receivable, prepaid expenses, deposits, accounts payable and accrued expenses approximate their respective fair values due to their short maturities.

ALZHEIMER'S FAMILY SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2011

1. Summary of Significant Accounting Policies - (Continued)

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Center considers all money market funds, demand deposits and highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentration of Risk

The Center occasionally maintains deposits in excess of federally insured limits. FASB ASC 825 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

Accounts Receivable and Grants Receivable

The Center accrues revenues for client fees and grants that are due and earned, but not yet paid. These accrued revenues have been recorded as receivables. The Center provides an allowance for doubtful collections that is based on management's estimates. As of June 30, 2011, the allowance was \$95,000. Receivables that are deemed uncollectible are directly written-off.

Promises to Give

The Center accrues revenues for unpaid pledges to be received in less than one year. At June 30, 2011, the balance of unconditional promises to give was approximately \$4,600.

Inventory

Inventory, consists of contributed auction items, is stated at fair value at the date received or market, whichever is lower. Fair value is determined based on the donors' estimated value or the value the Center received from similar items during past auctions.

# ALZHEIMER'S FAMILY SERVICES CENTER

## NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2011

### 1. Summary of Significant Accounting Policies - (Continued)

#### Property and Equipment

Assets are carried at cost, if purchased, or fair market value at date of contribution, if contributed. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Center follows the practice of capitalizing all expenditures for equipment in excess of \$500. Depreciation is calculated using the straight-line method over the estimated useful lives of five to seven years for computer equipment, office furniture and fixtures, seven to ten years for leasehold improvements, and three to seven years for communication and health care equipment.

Long lived assets, such as property and equipment, are reviewed on an ongoing basis for impairment based on comparison of carrying value against undiscounted future cash flows. If impairment is identified, the assets' carrying amounts are adjusted to fair value. There were no such adjustments during the year ended June 30, 2011.

#### Compensated Absences

The Center has a policy permitting employees to accumulate unused paid time off benefits. Upon termination or retirement, unused paid time off benefits will be paid at the employee's regular payroll rate. The balance of unused paid time off benefits at June 30, 2011 was approximately \$71,500 and is included in accrued expenses in the accompanying financial statements.

#### Contributions

Under FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*, grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

ALZHEIMER'S FAMILY SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2011

1. Summary of Significant Accounting Policies – (Continued)

Contributions - continued

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Certain federal and state funding received by the Center requires compliance with reporting requirements of those agencies. This reporting occurs subsequent to the fiscal year in which the funding was recognized. The Executive Director of the Center is not aware of any material reporting issues that would cause a modification in the funds recorded.

Income Taxes

The Center is a California nonprofit corporation which has qualified for tax exempt status under Section 501(c)(3) of the Internal Revenue Code and the State Revenue and Tax Code Section 23701(d). Accordingly, no provision of income taxes has been made in the accompanying financial statements.

The Center follows the provisions of FASB ASC 740 which clarifies the accounting for uncertainty in income taxes recognized in a nonpublic entity's financial statements. It details how entities should recognize, measure, present, and disclose uncertain tax positions that have been or are expected to be taken. As such, financial statements will reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts. There was no impact to the Center's financial statements as a result of FASB ASC 740.

# ALZHEIMER'S FAMILY SERVICES CENTER

## NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2011

### 1. Summary of Significant Accounting Policies – (Continued)

#### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated on the basis of program and supporting services' salaries expenses. The Center revised its cost allocation plan to better reflect the organization's activities for the year ended June 30, 2011. Bad debts are now reported as a direct program expense and not allocated to supporting services. Depreciation expense is now allocated to both program and supporting services.

The Center offers direct care, educational, and supportive services to address the needs of individuals with Alzheimer's disease or another dementia and their families. Direct care services, including adult day health and social day care, strive to maximize each participant's cognitive and psychosocial functioning. Social day care encompasses a core set of recreational and therapeutic activities, such as music, art therapy, reminiscence, memory enhancement, discussion groups, exercises and emergency medical care in a supervised, secure environment. Adult day health care includes these core services plus daily nursing care, social work, physical, occupational, and speech therapy exercises (maintenance and restorative), nutritional counseling, psychiatric and/or psychological services, and transportation. Optional adult day health care services the Center may offer with prior approval include podiatry, optometry screening and advice, dental screening, and any other services to meet the Center's objectives.

# ALZHEIMER'S FAMILY SERVICES CENTER

## NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2011

### 1. Summary of Significant Accounting Policies – (Continued)

#### Functional Allocation of Expenses – continued

Participant services are determined through an initial multidisciplinary assessment which forms the basis of the individual care plan, with reassessment every six months. When the family does not have the desire or resources to transport the participant, the Center arranges for transportation through the Orange County Transportation Authority, the Center's contracted transportation providers, or other available means, and, in the case of adult day health care only, covers the cost. All participants receive breakfast, lunch, and a snack. In addition, to further assist families enrolled at the Center and increase knowledge about Alzheimer's disease in the broader community, the agency provides educational and supportive services. Educational services include a variety of workshops and classes targeting caregivers, at-risk seniors, and healthcare professionals.

Finally, the Center also offers information and referral, and in some cases limited care management services, to callers and caregiver support groups open to the community at large.

#### Advertising

The Center follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the year ended June 30, 2011 was approximately \$14,000 (included in community relations/marketing).

### 2. Inventory and Fair Value Measurements

The Center follows the provisions of FASB ASC 820 for the fair value measurements that are recognized or disclosed at fair value in the financial statements on a recurring basis. FASB ASC 820 establishes 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 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

ALZHEIMER'S FAMILY SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2011

2. Inventory and Fair Value Measurements – (Continued)

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based on quoted prices for similar assets in active or inactive markets or quoted prices that are observable for the asset or inputs that are derived from observable market data by correlation or other means. Financial assets valued using Level 3 inputs are based on valuation methodology that is unobservable and significant to the fair value measurement. Valuation techniques utilized to determine fair value are applied consistently. The fair value of the donated inventory and donated property and equipment measured on a recurring basis at June 30, 2011 are \$3,376 and \$10,460, respectively, using Level 3 input. The fair value of the inventory is determined based on the donors' estimated value or the value the Center received from similar items during past auctions. The fair value of the property and equipment is determined based on donors' estimated value.

3. Restrictions on Net Assets

Temporarily restricted net assets consist of the following:

Dementia grant	\$39,167
Caregiver counseling grant	<u>25,000</u>
	<u>\$64,167</u>

# ALZHEIMER'S FAMILY SERVICES CENTER

## NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2011

### 4. Revenues and Other Support

The Center is primarily funded through private and government grants and 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 the dementia education specialist's salaries and benefits. Hoag Hospital's support represents approximately 39% of total revenues and other support.

### 5. Donated Facilities and Services

Hoag Hospital provides all of the leased facilities as well as the executive director's and the dementia education specialist's salaries and benefits aggregating \$470,607 for the year ended June 30, 2011. A board member's firm also provided general nonprofit legal services aggregating \$43,401 for the year ended June 30, 2011. The amounts are included as contributions in the financial statements and the corresponding program expenses.

Numerous unpaid volunteers (approximately 5,480 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.

### 6. Lease Commitments

On August 31, 2010, the Center signed a sixty-month lease for office space. The commencement date of this lease was October 1, 2010. The base monthly rent was \$20,921 with annual increases. The lease also includes a provision whereby the base monthly rents are fully abated by Hoag Hospital. The Center assumes responsibility for operating the facility in accordance with all terms and conditions of the lease. The Center is also responsible for utilities, liability insurance and repairs and maintenance expenses.

ALZHEIMER'S FAMILY SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2011

6. Lease Commitments – (Continued)

The Center also leases office equipment under a non-cancelable lease. The lease ends in October 2013 with monthly payments of \$340.

Total minimum annual lease payments, under this non-cancelable lease, are as follows.

Years Ending June 30,

2012	\$4,080
2013	4,080
2014	<u>1,360</u>
	<u>\$9,520</u>

Office equipment lease expense, including maintenance charges, for the year ended June 30, 2011, approximated \$4,700.

7. Related Party Transactions

The Center receives general nonprofit legal services from a board member's firm. Legal expenses to this firm were \$14,907 for the year ended June 30, 2011.

8. Financial Statement Summarized Prior Year Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2010 from which the summarized information was derived.

ALZHEIMER'S FAMILY SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2011

9. Reclassifications

Certain figures for the year ended June 30, 2010 have been reclassified to conform to the year ended June 30, 2011 presentation.

10. Date of Management's Review

The Center has evaluated subsequent events through September 19, 2011, the date the financial statements were available to be issued.