

ALZHEIMER'S DISEASE AND RELATED DISORDERS, NEW YORK CITY, INC.

(D/B/A CARINGKIND)

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

CARINGKIND

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To The Board of Directors
CaringKind
New York, New York

We have audited the accompanying financial statements of CaringKind, which comprise the statements of financial position at June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 CaringKind at June 30, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
November 6, 2017

CARINGKIND
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,347,874	\$ 1,979,454
Certificates of deposit	370,743	838,139
Investments	539,837	921,499
Due from Alzheimer's Association National Office	616,565	616,565
Contributions receivable, net of allowance for doubtful accounts of \$3,257 in 2017 and \$4,507 in 2016	699,700	401,143
Accounts receivable	266,504	1,108,187
Other assets	216,520	243,277
Fixed assets, net	<u>2,257,775</u>	<u>2,568,372</u>
 TOTAL ASSETS	 <u>\$ 6,315,518</u>	 <u>\$ 8,676,636</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 412,428	\$ 455,358
Due to Alzheimer's Association National Office	547,113	547,113
Deferred rent	1,657,533	1,369,267
Annuity payment obligations	23,983	23,983
Deferred revenue	<u>62,200</u>	<u>110,850</u>
 TOTAL LIABILITIES	 <u>2,703,257</u>	 <u>2,506,571</u>
 COMMITMENTS AND CONTINGENCIES		
Net assets:		
Unrestricted	1,729,907	4,017,811
Temporarily restricted	1,621,192	1,891,119
Permanently restricted	<u>261,162</u>	<u>261,135</u>
 TOTAL NET ASSETS	 <u>3,612,261</u>	 <u>6,170,065</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 6,315,518</u>	 <u>\$ 8,676,636</u>

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

CARINGKIND
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues, gains, losses and other support:								
Contributions:								
Individuals	\$ 769,107	\$ 441,786	\$ -	\$ 1,210,893	\$ 957,968	\$ 360,872	\$ -	\$ 1,318,840
Corporate and foundations	299,403	425,000	-	724,403	322,173	385,500	-	707,673
Bequests	241,786	11,803	-	253,589	974,475	149,964	-	1,124,439
In-Kind	48,374	-	-	48,374	-	-	-	-
Special events	3,588,066	38,245	-	3,626,311	3,962,420	100,200	-	4,062,620
Less: Costs of direct benefits of special events	(298,593)	-	-	(298,593)	(275,254)	-	-	(275,254)
Revenue earned under Shared Fundraising Agreement	-	-	-	-	1,014,786	-	-	1,014,786
Less: National's portion under Shared Fundraising Agreement	-	-	-	-	(859,014)	-	-	(859,014)
Government grants	1,339,084	-	-	1,339,084	1,418,483	-	-	1,418,483
Program service revenues	82,258	-	-	82,258	111,443	-	-	111,443
Investment income (including realized gains and losses)	26,032	1,298	27	27,357	37,840	1,904	40	39,784
Unrealized loss on investments	(1,999)	-	-	(1,999)	(5,960)	-	-	(5,960)
Other revenue	32,102	-	-	32,102	20,078	-	-	20,078
Net assets released from restrictions	1,188,059	(1,188,059)	-	-	1,794,219	(1,794,219)	-	-
Total operating revenues, gains, losses and other support	7,313,679	(269,927)	27	7,043,779	9,473,657	(795,779)	40	8,677,918
Operating Expenses:								
Program services:								
Patient and family services	4,097,561	-	-	4,097,561	3,808,811	-	-	3,808,811
Public awareness and education	2,453,257	-	-	2,453,257	2,758,211	-	-	2,758,211
Public policy	118,598	-	-	118,598	228,731	-	-	228,731
Research	77,347	-	-	77,347	168,077	-	-	168,077
Supporting services:								
Management and general	1,316,937	-	-	1,316,937	1,224,809	-	-	1,224,809
Fundraising	1,354,465	-	-	1,354,465	1,354,921	-	-	1,354,921
Total Operating Expenses	9,418,165	-	-	9,418,165	9,543,560	-	-	9,543,560
Change in net assets before nonoperating activities	(2,104,486)	(269,927)	27	(2,374,386)	(69,903)	(795,779)	40	(865,642)
Nonoperating Activities:								
Separation costs	183,418	-	-	183,418	648,586	-	-	648,586
Change in net assets	(2,287,904)	(269,927)	27	(2,557,804)	(718,489)	(795,779)	40	(1,514,228)
Net assets, beginning of year	4,017,811	1,891,119	261,135	6,170,065	4,736,300	2,686,898	261,095	7,684,293
Net assets, end of year	<u>\$ 1,729,907</u>	<u>\$ 1,621,192</u>	<u>\$ 261,162</u>	<u>\$ 3,612,261</u>	<u>\$ 4,017,811</u>	<u>\$ 1,891,119</u>	<u>\$ 261,135</u>	<u>\$ 6,170,065</u>

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

CARINGKIND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services				Supporting Services			Total 2017
	Patient and Family Services	Public Awareness and Education	Public Policy	Research	Management and General	Fund Raising	Cost of Direct Benefits of Special Events	
Salaries	\$ 1,995,188	\$ 951,362	\$ 80,896	\$ -	\$ 782,777	\$ 629,121	\$ -	\$ 4,439,344
Fringe benefits	464,278	219,943	18,962	-	181,814	146,125	-	1,031,122
Professional services and contract service payments	120,343	188,748	20,364	-	184,019	100,491	-	613,965
Supplies	47,149	96,002	235	-	9,770	76,283	-	229,439
Telephone	18,793	11,824	164	-	9,029	5,532	-	45,342
Postage and shipping	20,120	60,334	101	-	2,189	24,778	-	107,522
Occupancy	846,269	347,799	7,395	-	196,083	141,504	-	1,539,050
Insurance	15,441	6,674	206	-	4,790	4,057	-	31,168
Printing and publications	62,168	165,177	4	-	1,396	75,504	-	304,249
Staff development	2,149	1,648	1,500	-	690	365	-	6,352
Conferences	23,905	195,193	575	-	2,585	26,205	298,593	547,056
Travel	32,771	10,160	6,144	-	6,975	8,906	-	64,956
Research grants and allocations	2,490	625	-	77,347	-	-	-	80,462
Client services	240,665	80,700	-	-	-	-	-	321,365
Depreciation and amortization	198,820	82,723	1,731	-	42,458	31,435	-	357,167
Miscellaneous	7,012	34,947	321	-	10,991	79,972	-	133,243
In-kind expenses	-	24,187	-	-	-	24,187	-	48,374
Total expenses	4,097,561	2,478,046	138,598	77,347	1,435,566	1,374,465	298,593	9,900,176
Separation costs	-	(24,789)	(20,000)	-	(118,629)	(20,000)	-	(183,418)
Cost of direct benefits of special events	-	-	-	-	-	-	(298,593)	(298,593)
Total expenses reported by function on the statement of activities	\$ 4,097,561	\$ 2,453,257	\$ 118,598	\$ 77,347	\$ 1,316,937	\$ 1,354,465	\$ -	\$ 9,418,165

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

CARINGKIND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services				Supporting Services			Total 2016
	Patient and Family Services	Public Awareness and Education	Public Policy	Research	Management and General	Fund Raising	Cost of Direct Benefits of Special Events	
Salaries	\$ 1,780,639	\$ 903,218	\$ 105,264	\$ -	\$ 756,965	\$ 653,463	\$ -	\$ 4,199,549
Fringe benefits	414,926	200,586	24,264	-	173,634	149,894	-	963,304
Professional services and contract service payments	237,643	594,265	70,743	-	157,198	106,660	-	1,166,509
Supplies	44,203	102,700	419	-	11,200	78,313	-	236,835
Telephone	18,102	14,739	387	-	10,403	6,172	-	49,803
Postage and shipping	14,604	29,311	13	-	4,244	23,051	-	71,223
Occupancy	700,842	361,068	12,343	-	136,994	143,955	-	1,355,202
Insurance	14,008	7,043	378	-	5,255	4,634	-	31,318
Printing and publications	45,572	531,951	-	-	3,081	58,357	-	638,961
Staff development	1,770	3,740	10,752	-	1,700	440	-	18,402
Conferences	38,967	214,879	1,305	-	3,480	10,518	275,254	544,403
Travel	34,828	9,437	113	-	8,018	12,265	-	64,661
Research grants and allocations	7,513	238	-	168,077	250	-	-	176,078
Client services	230,819	75,000	-	-	-	-	-	305,819
Depreciation and amortization	239,168	123,224	4,191	-	41,804	43,380	-	451,767
Miscellaneous	18,287	59,774	308	-	11,639	103,558	-	193,566
Total expenses	3,841,891	3,231,173	230,480	168,077	1,325,865	1,394,660	275,254	10,467,400
Separation costs	(33,080)	(472,962)	(1,749)	-	(101,056)	(39,739)	-	(648,586)
Cost of direct benefits of special events	-	-	-	-	-	-	(275,254)	(275,254)
Total expenses reported by function on the statement of activities	\$ 3,808,811	\$ 2,758,211	\$ 228,731	\$ 168,077	\$ 1,224,809	\$ 1,354,921	\$ -	\$ 9,543,560

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

CARINGKIND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (2,557,804)	\$ (1,514,228)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Actuarial loss (gain) on annuity obligations	2,332	(3,228)
Unrealized loss on investments	1,999	5,960
Donated stock	(95,652)	(104,610)
Deferred rent	288,266	(216,323)
Depreciation and amortization	357,167	451,767
Changes in assets (increase) decrease:		
Due from Alzheimer's Association National Office	-	(22,073)
Contributions receivable	(298,557)	469,192
Accounts receivable	841,683	(1,003,411)
Other assets	26,757	1,428
Changes in liabilities increase (decrease):		
Accounts payable and accrued expenses	(42,930)	(3,119)
Due to Alzheimer's Association National Office	-	(270,742)
Deferred revenue	(48,650)	31,300
	<u>(1,525,389)</u>	<u>(2,178,087)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Proceeds from sale of investments	493,766	1,676,090
Decrease in certificates of deposit	467,396	929,505
Fixed asset acquisitions	(46,570)	(197,713)
Purchase of investments	(18,451)	(244,392)
	<u>896,141</u>	<u>2,163,490</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Annuity obligation payments	(2,332)	(2,562)
	<u>(2,332)</u>	<u>(2,562)</u>
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(631,580)	(17,159)
Cash and cash equivalents, beginning of year	<u>1,979,454</u>	<u>1,996,613</u>
Cash and cash equivalents, end of year	<u>\$ 1,347,874</u>	<u>\$ 1,979,454</u>

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

CARINGKIND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 1 - Nature and Purpose of Organization

The Alzheimer's Disease and Related Disorders, New York City Inc. (d/b/a CaringKind, f/k/a Alzheimer's Association, New York City Chapter (the "Chapter")) was incorporated under the Not-for-Profit Corporation Law of the State of New York on May 7, 1985. The Chapter separated from the Alzheimer's Association ("National") on December 1, 2015. While retaining its original legal name, as of March 1, 2016, the Chapter started operating under the assumed name, CaringKind. The separation of the Chapter resulted in no change in the value of the net assets at the time of separation.

The mission of CaringKind is to create, deliver, and promote comprehensive and compassionate care and support services for individuals and families affected by Alzheimer's disease and related dementias, and to eliminate Alzheimer's disease through the advancement of research. CaringKind achieves its mission by providing programs and services for individuals with dementia, their family and professional caregivers; increasing public awareness; collaborating with research centers; and informing public policy through advocacy.

CaringKind is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared on the accrual basis.

Use of Estimates

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

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

CARINGKIND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value of Financial Instruments (cont'd.)

Level 3 - Valuations based on unobservable inputs reflecting CaringKind's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At June 30, 2017 and 2016, the cost basis of CaringKind's financial instruments, including cash and cash equivalents, certificates of deposit, contributions receivable, accounts receivable, accounts payable and accrued expenses, and annuity payment obligations, approximated fair value due to the short maturity of these instruments.

Refer to Note 5 - Fair Value Measurements for assets measured at fair value.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with initial maturities when acquired of three months or less.

Certificates of Deposit

Certificates of deposit include investments with initial maturities greater than three months. Certificates of deposit are considered investments for purposes of cash flow reporting.

Investments

Investments are stated at the readily determinable fair market value in accordance with the Not-for-Profit Entities topic of the Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC"). All interest, dividends and realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

CARINGKIND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Revenues and Accounts Receivable

Revenues and accounts receivable from program service fees are recognized when earned. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, CaringKind establishes advances from government funders.

Deferred revenue represents amounts received for special events that have not yet been earned.

Allowance for Doubtful Accounts

CaringKind determines whether an allowance for uncollectibles should be provided for accounts and contributions receivable. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions and historical information. Accounts and contributions receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Interest is not charged on outstanding receivables. At June 30, 2017 and 2016, CaringKind has recorded an allowance for doubtful accounts of \$3,257 and \$4,507, respectively.

Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the term of lease. CaringKind capitalizes property and equipment acquisitions over \$500, as well as expenditures that increase the life of existing assets. Equipment is depreciated between three and seven years.

Contributions

CaringKind 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. When a donor 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.

Shared Fundraising Agreement

The Chapter and National also entered into a Shared Fundraising Agreement (the "Fundraising Agreement"). The Fundraising Agreement is designed to coordinate and unify fundraising efforts by means of direct marketing, planned gifts, major gifts, corporate and foundation relations, general development and special events in New York City.

CARINGKIND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Shared Fundraising Agreement (cont'd.)

Under the Fundraising Agreement, the Chapter and National allocate percentages of shared revenues, based on cash received, as defined, among the Chapter, National and the Mission Fund, based on percentages contained in the Fundraising Agreement. The Mission Fund was established as part of the Fundraising Agreement to benefit National and all of its chapters as a whole. Gifts restricted for a specific purpose are not considered part of shared revenues. Under the terms of the Fundraising Agreement, the Chapter is not required to pay dues to National.

Effective December 1, 2015 when the Chapter separated from National, the Shared Fundraising Agreement was no longer effective.

During the five-month period ended November 30, 2015, the point of the separation from National, the Chapter recognized the 60% of shared revenues due from National, and the 40% of shared revenues due to National, respectively.

Charitable Gift Annuities

CaringKind's investments include funds subject to charitable gift annuities. Contribution revenues for charitable gift annuities are recognized at the date the agreement is established, net of the liability recorded for the present value of the future payments to be made to the respective donors and/or other beneficiaries. The present value of payments to beneficiaries of charitable gift annuities is calculated using a 6% discount rate. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset class in the statements of activities. The present value of the annuities is classified as unrestricted net assets. The fair market value of the investments is \$16,421 and \$18,796 at June 30, 2017 and 2016, respectively.

Net Assets

Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors. Temporarily restricted net assets are those net assets that are restricted by the donors for specific purposes. Permanently restricted net assets are those net assets whose principal may not be expended. The donors may or may not restrict the use of investment income.

Functional Reporting

The costs of providing CaringKind's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Measure of Operations

Changes in net assets from operations include all revenues and expenses for the period except for separation costs.

CARINGKIND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Donated Services

Many individuals volunteer their time and perform a variety of tasks that assist CaringKind with specific assistance programs, campaign solicitations and various committee assignments. During the year ended June 30, 2017, CaringKind recognized \$48,374 of in-kind services.

Operating Leases

Operating lease expense has been recorded on the straight-line basis over the life of the lease. Deferred rent has been recorded for the difference between the fixed payment and rent expense.

Accounting for Uncertainty in Income Taxes

CaringKind adopted the provisions pertaining to uncertain tax provisions of FASB ASC Topic 740, *Income Taxes*, and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. CaringKind is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. CaringKind believes it is no longer subject to income tax examinations prior to 2014.

New Accounting Pronouncements

ASU No. 2016-14

In August, 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. This ASU is a result of the recommendations developed by FASB’s Not-for-Profit Advisory Committee and FASB’s ongoing review of Generally Accepted Accounting Principles (GAAP) standards to improve existing standards to meet the evolving needs of a dynamic financial reporting environment.

The ASU provides for changes in financial statement presentation that effect classification of net assets, presentation of expenses, investment returns and presentation of operating cash flows. It also calls for enhanced disclosures of board designated funds, underwater endowment funds, methods used to allocate costs among functions, and liquidity and availability of resources. The ASU affects all not-for-profit organizations including charities, foundations, colleges and universities, health care providers, religious organizations, trade associations, and cultural institutions, among others.

The amendments of ASU No. 2016-14 are effective for annual financial statements issued for periods beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application is permitted.

CARINGKIND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements (cont'd.)

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede Topic 840, *Leases*.

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted for all entities.

CaringKind has not yet determined if these ASUs will have a material effect on its financial statements.

Note 3 - Concentration of Credit Risk

CaringKind maintains cash balances in several financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per institution. From time to time, CaringKind's balances may exceed these limits.

Note 4 - Restricted Cash

CaringKind has a certificate of deposit with a bank, which is pledged as collateral for its leased property (see Note 12) and a corresponding letter of credit (see Note 14). The certificate of deposit at June 30, 2017 and 2016 was \$100,970 and \$120,157, respectively.

CARINGKIND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 5 - Fair Value Measurements

CaringKind measures its marketable securities at fair value. Fair value is an exit price, representing the amount that would be received on the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, a three-tier fair value hierarchy is used which prioritizes the inputs in the valuation methodologies in measuring fair value.

Fair Value Hierarchy

The methodology for measuring fair value specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect CaringKind's own assumptions of market participant valuation (unobservable inputs).

Investments in mutual funds are valued using market prices in active markets. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Items Measured at Fair Value on a Recurring Basis

The following table presents CaringKind's assets that are measured at fair value on a recurring basis at June 30, 2017:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Marketable securities:				
Fixed Income - Mutual Funds	<u>\$ 539,837</u>	<u>\$ 539,837</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents CaringKind's assets that are measured at fair value on a recurring basis at June 30, 2016:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Marketable securities:				
Fixed Income - Mutual Funds	<u>\$ 921,499</u>	<u>\$ 921,499</u>	<u>\$ -</u>	<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 6 - Investments

The following is a summary of investments held at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Mutual Funds	\$ 539,837	\$ 921,499
Investment income consists of:		
Interest and dividend income	\$ 26,774	\$ 48,735
Realized gain (loss)	583	(8,951)
	<u>\$ 27,357</u>	<u>\$ 39,784</u>

Note 7 - Contributions Receivable

Contributions receivable, net, are due as follows:

	<u>2017</u>	<u>2016</u>
Amounts due within one year	\$ 552,957	\$ 405,650
Amounts due in one to five years	150,000	-
	<u>702,957</u>	<u>405,650</u>
Less: Allowance for doubtful accounts	3,257	4,507
	<u>\$ 699,700</u>	<u>\$ 401,143</u>

Note 8 - Fixed Assets

Fixed assets, net, consist of the following:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 4,122,588	\$ 4,122,588
Equipment	1,214,648	1,221,189
	<u>5,337,236</u>	<u>5,343,777</u>
Less: Accumulated depreciation and amortization	3,079,461	2,775,405
	<u>\$ 2,257,775</u>	<u>\$ 2,568,372</u>

Depreciation and amortization expense related to fixed assets amounted to \$357,167 and \$451,767 for the years ended June 30, 2017 and 2016, respectively.

CARINGKIND
NOTES TO FINANCIAL STATEMENTS
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Note 9 - Retirement Plan

CaringKind has a defined contribution retirement plan for all eligible employees. CaringKind's contributions are equal to 5% - 10% of each employee's annual compensation. Retirement expense for the years ended June 30, 2017 and 2016 was \$192,206 and \$165,997, respectively.

Note 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Patient and family services	\$ 499,458	\$ 886,012
Public awareness and education	1,104,305	988,976
Endowments	<u>17,429</u>	<u>16,131</u>
	<u>\$ 1,621,192</u>	<u>\$ 1,891,119</u>

Temporarily restricted net assets were released from restrictions by incurring expenses and capital expenditures satisfying the following:

	<u>2017</u>	<u>2016</u>
Patient and family services	\$ 787,039	\$ 1,191,534
Public awareness and education	354,538	432,357
Research	42,347	168,077
Capital grants	<u>4,134</u>	<u>2,251</u>
	<u>\$ 1,188,059</u>	<u>\$ 1,794,219</u>

Note 11 - Endowment Funds

General

CaringKind's endowment consists of four individual donor-restricted endowment funds established to create and promote comprehensive and humane care and treatment for persons with Alzheimer's disease and related disorders, and to provide support for their families and professional caregivers. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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JUNE 30, 2017 AND 2016

Note 11 - Endowment Funds (cont'd.)

Interpretation of Relevant Law

The State of New York enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), a modified version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). CaringKind has evaluated the effect of NYPMIFA on the investments, appropriation and management of institutional funds and established procedures to comply with its provisions.

CaringKind interprets state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CaringKind classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. Currently, there are no provisions in donor gift instruments that provide for any other accumulations to the permanent endowments.

In accordance with FASB ASC Subtopic 958-205, *Not-for-Profit Entities*, upon the passage of NYPMIFA, CaringKind is required to determine if there are any non-appropriated endowed investment earnings, and if so, it would need to reclassify them as temporarily restricted net assets.

It is CaringKind's policy that any remaining portion of the donor-restricted endowment funds, if any, that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CaringKind in a manner consistent with the standard of prudence prescribed by NYPMIFA. The amounts appropriated for expenditure represent amounts that were spent within the year in satisfying the purpose restriction.

CaringKind has considered the following factors in making a determination to appropriate or calculate donor-restricted endowment funds:

1. Duration of the fund
2. General purposes of the organization and the donor-restricted endowment funds
3. General economic conditions
4. Possible effect of inflation or deflation
5. Expected total return from income and appreciation of investments
6. Other resources of the organization
7. Investment policy of the organization

Return Objectives, Strategies Employed and Spending Policy

The objective of CaringKind is to maintain the principal endowment funds at the original amount designated by the donor. The investment policy to achieve this objective is to invest in low risk investments. Investment income, earned in relation to the endowment funds, is recorded as temporarily restricted income except for 10% of investment earnings attributable to the Estate of John Marshall, reinvested in the permanently restricted net assets. CaringKind has adopted a spending policy in which the total appropriation for expenditure for any given year is equal to or less than 7% of the average fair market values of the investments for the prior twenty fiscal quarters based on board approval.

CARINGKIND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 11 - Endowment Funds (cont'd.)

Funds with Deficiencies

CaringKind does not have any funds with deficiencies.

Endowment Net Asset Composition by Type of Fund at June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Estate of John Marshall	\$ -	\$ 3,477	\$ 53,764	\$ 57,241
Louis and Mildred Davis	-	3,364	50,000	53,364
Cappiello-Finocchiaro	-	3,494	51,950	55,444
The Baschkopf Family	-	7,094	105,448	112,542
	<u>\$ -</u>	<u>\$ 17,429</u>	<u>\$ 261,162</u>	<u>\$ 278,591</u>

Endowment Net Asset Composition by Type of Fund at June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Estate of John Marshall	\$ -	\$ 3,232	\$ 53,736	\$ 56,968
Louis and Mildred Davis	-	3,110	50,000	53,110
Cappiello-Finocchiaro	-	3,231	51,949	55,180
The Baschkopf Family	-	6,558	105,450	112,008
	<u>\$ -</u>	<u>\$ 16,131</u>	<u>\$ 261,135</u>	<u>\$ 277,266</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 16,131	\$ 261,135	\$ 277,266
Interest and dividends	-	1,298	27	1,325
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 17,429</u>	<u>\$ 261,162</u>	<u>\$ 278,591</u>

CARINGKIND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 11 - Endowment Funds (cont'd.)

Changes in Endowment Net Assets for the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 14,228	\$ 261,095	\$ 275,323
Interest and dividends	-	1,903	40	1,943
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 16,131</u>	<u>\$ 261,135</u>	<u>\$ 277,266</u>

Note 12 - Lease Agreements

CaringKind leases office space under a lease with an original term of ten years, which included a six-month concession and expires in July 2016. The lease was amended in September 2011 and extended through January 2028 with a ten-month concession for the additional space leased. The lease is being amortized on the straight-line basis over the lease term. Additionally, CaringKind leases office equipment with lease payments through June 2020. The commitments are as follows:

Years Ending June 30:

2018	\$ 1,300,229
2019	1,357,127
2020	1,334,252
2021	1,322,879
2022	1,322,879
Thereafter	<u>7,841,378</u>
	<u>\$ 14,478,744</u>

Rent expense was \$1,389,661 and \$1,217,212 for the years ended June 30, 2017 and 2016, respectively. During the years ended June 30, 2017 and 2016, actual cash paid for rent was \$1,101,395 and \$1,433,535, respectively.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 13 - Joint Costs

CaringKind conducted activities that included requests for contributions as well as program components and incurred joint costs. These activities included special events such as the CaringKind Alzheimer’s Walk, Forget-Me-Not Gala, and various Athletes to End Alzheimer’s and Junior Committee events. Joint costs were allocated between program services and fundraising as follows:

	<u>2017</u>	<u>2016</u>
Program services	\$ 441,197	\$ 427,951
Fundraising	<u>755,464</u>	<u>753,947</u>
	<u>\$ 1,196,661</u>	<u>\$ 1,181,898</u>

Note 14 - Commitments and Contingencies

CaringKind has a letter of credit outstanding in the amount of \$100,970 for the benefit of its landlord. The letter of credit expires on April 29, 2028 and is secured by a certificate of deposit account with its bank (see Note 4).

The Chapter and National previously entered into a Statement of Relationship which established the reciprocal responsibilities between the Chapter and National. CaringKind believes it has fulfilled all of its financial obligations pursuant to shared fundraising as of the date of separation, December 1, 2015. Discussions between CaringKind and National have continued during fiscal 2017 and are ongoing through the date of these financial statements.

As a result of the separation, CaringKind incurred non-recurring costs and expenses during the year ended June 30, 2016 totaling \$749,287, of which \$648,586 was recognized as an expense and \$100,701 was recognized as fixed assets. During the year ended June 30, 2017, CaringKind incurred non-recurring costs and expenses totaling \$183,418.

Note 15 - Subsequent Events

CaringKind has evaluated all events or transactions that occurred after June 30, 2017 through the date of these financial statements, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.