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

(D/B/A CARINGKIND)

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

CARINGKIND

CONTENTS

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INDEPENDENT AUDITORS' REPORT

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, 2018 and 2017, 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CaringKind at June 30, 2018 and 2017, 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 7, 2018

CARINGKIND
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 946,241	$ 1,347,874
Certificates of deposit	321,477	370,743
Investments	12,358	539,837
Due from Alzheimer's Association National Office	616,565	616,565
Contributions receivable, net of allowance for doubtful accounts of $6,806 in 2018 and $3,257 in 2017	331,044	699,700
Accounts receivable	208,733	266,504
Other assets	70,078	216,520
Fixed assets, net	1,912,062	2,257,775
TOTAL ASSETS	$ 4,418,558	$ 6,315,518
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 277,561	$ 412,428
Due to Alzheimer's Association National Office	547,113	547,113
Deferred rent	1,289,809	1,657,533
Annuity payment obligations	23,983	23,983
Deferred revenue	-	62,200
TOTAL LIABILITIES	2,138,466	2,703,257
COMMITMENTS AND CONTINGENCIES		
Net assets:		
Unrestricted	908,113	1,729,907
Temporarily restricted	1,110,743	1,621,192
Permanently restricted	261,236	261,162
TOTAL NET ASSETS	2,280,092	3,612,261
TOTAL LIABILITIES AND NET ASSETS	$ 4,418,558	$ 6,315,518

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

CARINGKIND
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues, gains, losses and other support:								
Contributions:								
Individuals	$ 1,119,667	$ 150,262	$ -	$ 1,269,929	$ 769,107	$ 441,786	$ -	$ 1,210,893
Corporate and foundations	232,961	369,000	-	601,961	299,403	425,000	-	724,403
Bequests	199,307	-	-	199,307	241,786	11,803	-	253,589
In-kind	75,000	-	-	75,000	48,374	-	-	48,374
Special events	2,686,574	-	-	2,686,574	3,588,066	38,245	-	3,626,311
Less: Costs of direct benefits of special events	(210,004)	-	-	(210,004)	(298,593)	-	-	(298,593)
Government grants	1,131,407	-	-	1,131,407	1,339,084	-	-	1,339,084
Program service revenues	89,064	-	-	89,064	82,258	-	-	82,258
Loss on disposal of assets	(49,648)	-	-	(49,648)	-	-	-	-
Investment income (including realized gains and losses)	7,557	3,544	74	11,175	26,032	1,298	27	27,357
Unrealized loss on investments	(2,623)	-	-	(2,623)	(1,999)	-	-	(1,999)
Other revenue	59,630	-	-	59,630	32,102	-	-	32,102
Net assets released from restrictions	1,033,255	(1,033,255)	-	-	1,188,059	(1,188,059)	-	-
Total operating revenues, gains, losses and other support	6,372,147	(510,449)	74	5,861,772	7,313,679	(269,927)	27	7,043,779
Operating Expenses:								
Program services:								
Patient and family services	2,924,618	-	-	2,924,618	4,097,561	-	-	4,097,561
Public awareness and education	1,846,548	-	-	1,846,548	2,453,257	-	-	2,453,257
Public policy	108,142	-	-	108,142	118,598	-	-	118,598
Research	16,853	-	-	16,853	77,347	-	-	77,347
Supporting services:								
Management and general	1,058,978	-	-	1,058,978	1,316,937	-	-	1,316,937
Fundraising	1,061,449	-	-	1,061,449	1,354,465	-	-	1,354,465
Total Operating Expenses	7,016,588	-	-	7,016,588	9,418,165	-	-	9,418,165
Change in net assets before nonoperating activities	(644,441)	(510,449)	74	(1,154,816)	(2,104,486)	(269,927)	27	(2,374,386)
Nonoperating Activities:								
Separation costs	177,353	-	-	177,353	183,418	-	-	183,418
Change in net assets	(821,794)	(510,449)	74	(1,332,169)	(2,287,904)	(269,927)	27	(2,557,804)
Net assets, beginning of year	1,729,907	1,621,192	261,162	3,612,261	4,017,811	1,891,119	261,135	6,170,065
Net assets, end of year	$ 908,113	$ 1,110,743	$ 261,236	$ 2,280,092	$ 1,729,907	$ 1,621,192	$ 261,162	$ 3,612,261

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

CARINGKIND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services				Supporting Services			
	Patient and Family Services	Public Awareness and Education	Public Policy	Research	Management and General	Fund Raising	Cost of Direct Benefits of Special Events	Total
Salaries	$ 1,500,314	$ 805,525	$ 81,859	$ -	$ 612,353	$ 474,906	$ -	$ 3,474,957
Fringe benefits	351,001	188,311	19,252	-	143,250	111,098	-	812,912
Professional services and contract service payments	108,190	192,122	45,661	-	182,536	63,606	-	592,115
Supplies	22,673	59,857	163	-	5,459	75,074	-	163,226
Telephone	17,519	10,166	174	-	6,584	5,797	-	40,240
Postage and shipping	14,299	40,589	3	-	2,609	19,905	-	77,405
Occupancy	438,645	180,091	3,979	-	106,834	74,953	-	804,502
Insurance	15,136	6,991	234	-	5,031	3,569	-	30,961
Printing and publications	29,393	77,738	-	-	2,020	60,964	-	170,115
Staff development	1,385	1,115	-	-	-	-	-	2,500
Conferences	10,128	169,221	150	-	1,072	41,395	210,004	431,970
Travel	10,865	6,837	-	-	2,710	5,517	-	25,929
Research grants and allocations	1,995	180	-	16,853	-	-	-	19,028
Client services	218,687	7,800	-	-	-	-	-	226,487
Bad debt	2,500	2,500	-	-	-	5,000	-	10,000
Depreciation and amortization	177,937	74,066	1,549	-	37,987	28,125	-	319,664
Miscellaneous	3,951	23,439	613	-	7,391	91,540	-	126,934
In-kind expenses	-	-	-	-	75,000	-	-	75,000
Total expenses	2,924,618	1,846,548	153,637	16,853	1,190,836	1,061,449	210,004	7,403,945
Separation costs	-	-	(45,495)	-	(131,858)	-	-	(177,353)
Cost of direct benefits of special events	-	-	-	-	-	-	(210,004)	(210,004)
Total expenses reported by function on the statement of activities	$ 2,924,618	$ 1,846,548	$ 108,142	$ 16,853	$ 1,058,978	$ 1,061,449	$ -	$ 7,016,588

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			
	Patient and Family Services	Public Awareness and Education	Public Policy	Research	Management and General	Fund Raising	Cost of Direct Benefits of Special Events	Total
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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (1,332,169)	$ (2,557,804)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Actuarial loss on annuity obligations	2,332	2,332
Loss on disposal of assets	49,648	-
Unrealized loss on investments	2,623	1,999
Donated stock	(306,242)	(95,652)
Bad debt	10,000	-
Deferred rent	(367,724)	288,266
Depreciation and amortization	319,664	357,167
Changes in assets (increase) decrease:		
Contributions receivable	358,656	(298,557)
Accounts receivable	57,771	841,683
Other assets	146,442	26,757
Changes in liabilities increase (decrease):		
Accounts payable and accrued expenses	(134,867)	(42,930)
Deferred revenue	(62,200)	(48,650)
Net cash used in operating activities	(1,256,066)	(1,525,389)
Cash flows from investing activities:		
Proceeds from sale of investments	836,759	493,766
Decrease in certificates of deposit	49,266	467,396
Fixed asset acquisitions	(23,599)	(46,570)
Purchase of investments	(5,661)	(18,451)
Net cash provided by investing activities	856,765	896,141
Cash flows from financing activities:		
Annuity obligation payments	(2,332)	(2,332)
Net cash used in financing activities	(2,332)	(2,332)
Net decrease in cash and cash equivalents	(401,633)	(631,580)
Cash and cash equivalents, beginning of year	1,347,874	1,979,454
Cash and cash equivalents, end of year	$ 946,241	$ 1,347,874

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

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.

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, 2018 and 2017, 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.

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, 2018 and 2017, CaringKind has recorded an allowance for doubtful accounts of $6,806 and $3,257, 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.

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 $14,048 and $16,421 at June 30, 2018 and 2017, 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.

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

Donated Services

Many individuals volunteer their time and services to perform a variety of tasks that assist CaringKind with specific assistance programs, campaign solicitations, various committee assignments, and legal services. During the year ended June 30, 2018 CaringKind recognized $75,000 of donated legal services which was received from a related party. During the year ended June 30, 2017, CaringKind recognized $48,374 of in-kind services from various activities.

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 applies 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 2015.

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.

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 FASB ASC 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.

ASU No. 2014-09

In May 2014, the FASB issued the ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will apply to all companies that report financial statements in accordance with U.S. GAAP and will supersede the current general revenue recognition guidance and most industry-specific guidance. The issuance of this standard will result in a significant change that creates a common revenue recognition model for all companies that generate revenue from contracts with customers to transfer goods or services. This accounting framework expects to provide more useful information to users of the financial statements about how revenue is recognized and offers a more consistent approach across all industries.

For nonpublic companies, the standard will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early application is permitted under certain circumstances.

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, 2018 and 2017 was $111,613 and $100,970, respectively.

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, 2018:

	Total	Level 1	Level 2	Level 3
Marketable securities:				
Fixed Income - Mutual Funds	$ 12,358	$ 12,358	$ -	$ -

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

	Total	Level 1	Level 2	Level 3
Marketable securities:				
Fixed Income - Mutual Funds	$ 539,837	$ 539,837	$ -	$ -

Note 6 - Investments

The following is a summary of investments held at June 30, 2018 and 2017:

	2018	2017
Mutual Funds	$ 12,358	$ 539,837

Investment income consists of:

	2018	2017
Interest and dividend income	$ 10,168	$ 26,774
Realized gain	1,007	583
	$ 11,175	$ 27,357

Note 7 - Contributions Receivable

Contributions receivable, net, are due as follows:

	2018	2017
Amounts due within one year	$ 237,850	$ 552,957
Amounts due in one to five years	100,000	150,000
	337,850	702,957
Less: Allowance for doubtful accounts	6,806	3,257
	$ 331,044	$ 699,700

Note 8 - Fixed Assets

Fixed assets, net, consist of the following:

	2018	2017
Leasehold improvements	$ 2,695,842	$ 4,122,588
Equipment	771,486	1,214,648
	3,467,328	5,337,236
Less: Accumulated depreciation and amortization	1,555,266	3,079,461
	$ 1,912,062	$ 2,257,775

Depreciation and amortization expense related to fixed assets amounted to $319,664 and $357,167 for the years ended June 30, 2018 and 2017, respectively. For the year ended June 30, 2018, the Company disposed of approximately $1,900,000 in fixed assets due to a lease amendment allowing CaringKind to vacate and surrender a portion of leased space (see Note 12), and recognized a loss on disposal of assets of $49,648.

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, 2018 and 2017 was $162,563 and $192,206, respectively.

Note 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2018	2017
Patient and family services	$ 314,927	$ 499,458
Public awareness and education	792,658	1,104,305
Endowments	974	17,429
Capital grants	2,184	-
	$ 1,110,743	$ 1,621,192

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

	2018	2017
Patient and family services	$ 596,731	$ 787,039
Public awareness and education	404,655	354,538
Appropriation of endowments	20,000	-
Research	9,053	42,347
Capital grants	2,816	4,135
	$ 1,033,255	$ 1,188,059

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.

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.

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, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Estate of John Marshall	$ 4,122	$ 201	$ 53,838	$ 58,161
Louis and Mildred Davis	3,828	186	50,000	54,014
Cappiello-Finocchiaro	3,977	194	51,950	56,121
The Baschkopf Family	8,073	393	105,448	113,914
	$ 20,000	$ 974	$ 261,236	$ 282,210

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
	$ -	$ 17,429	$ 261,162	$ 278,591

Changes in Endowment Net Assets for the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 17,429	$ 261,162	$ 278,591
Appropriation	20,000	(20,000)	-	-
Interest and dividends	-	3,545	74	3,619
Endowment net assets, end of year	$ 20,000	$ 974	$ 261,236	$ 282,210

Note 11 - Endowment Funds (cont'd.)

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	$ -	$ 17,429	$ 261,162	$ 278,591

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 expired in July 2016. The lease was amended in September 2011 and extended through January 2028 with a ten-month concession and additional space leased. The lease was further amended in May 2018, to allow CaringKind to vacate and surrender a portion of the leased space. As part of this amendment, CaringKind also received a three-month rent concession. The lease is being amortized on the straight-line basis over the lease term. As a result of CaringKind vacating and surrendering the leased space, a recovery of $473,018 was recognized due to the write-off of deferred rent. The recovery is included in rent expense for the year ended June 30, 2018. Additionally, CaringKind leases office equipment with lease payments through June 2023. The commitments are as follows:

Years Ending June 30:	
2019	$ 690,021
2020	686,421
2021	681,473
2022	681,473
2023	712,722
Thereafter	3,219,128
	$ 6,671,238

Rent expense was $670,167 and $1,389,661 for the years ended June 30, 2018 and 2017, respectively. During the years ended June 30, 2018 and 2017, actual cash paid for rent was $1,037,891 and $1,101,395, respectively.

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:

	2018	2017
Program services	$ 277,858	$ 441,197
Fundraising	520,664	755,464
	$ 798,522	$ 1,196,661

Note 14 - Commitments and Contingencies

At June 30, 2018, CaringKind has a letter of credit outstanding in the amount of $111,613 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. Both parties have filed complaints and the matter is before the Court pending a scheduled order of discovery. As of the date of these financial statements, an outcome cannot be determined. Therefore, no additional amounts due from or owed to have been recorded at June 30, 2018.

As a result of the separation, CaringKind incurred non-recurring costs and expenses during the year ended June 30, 2017 totaling $183,418. During the year ended June 30, 2018, CaringKind incurred non-recurring costs and expenses totaling $177,353.

Note 15 - Subsequent Events

CaringKind has evaluated all events or transactions that occurred after June 30, 2018 through November 7, 2018, the date that these financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.