

**ALZHEIMER'S TENNESSEE, INC.**  
Knoxville, Tennessee

**FINANCIAL STATEMENTS**

June 30, 2015 and 2014

**ALZHEIMER'S TENNESSEE, INC.**  
Knoxville, Tennessee  
June 30, 2015 and 2014

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# Ingram Overholt & Bean, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Joe S. Ingram, CPA (1948 - 2011)  
Lonas D. Overholt, CPA  
Robert L. Bean, CPA

428 Marilyn Lane  
Alcoa, Tennessee 37701

Telephone  
865-984-1040  
Facsimile  
865-982-1665

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Alzheimer's Tennessee, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and functional expenses (with comparative totals for June 30, 2014), 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.

### Auditor's 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alzheimer's Tennessee Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Ingram, Overholt & Bean, PC*  
Alcoa, Tennessee  
December 9, 2015

**ALZHEIMER'S TENNESSEE, INC.**  
 Knoxville, Tennessee  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2015 and 2014

	June 30,	
	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 735,505	\$ 609,672
Contributions receivable	42,197	38,933
Prepaid expenses	15,969	14,055
Inventory	<u>13,433</u>	<u>3,522</u>
Total Current Assets	807,104	666,182
Leasehold improvements, furniture and equipment,		
Net of accumulated depreciation	226,987	262,148
Permanently restricted cash	5,000	5,000
Donated jewelry	<u>1,535</u>	<u>1,535</u>
Total Assets	<u>\$ 1,040,626</u>	<u>\$ 934,865</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 85,976	\$ 65,585
Accrued vacation	14,862	16,659
Accrued retirement plan contribution	<u>1,215</u>	<u>1,172</u>
Total Current Liabilities	<u>102,053</u>	<u>83,416</u>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	908,970	776,754
Temporarily restricted	24,603	69,695
Permanently restricted	<u>5,000</u>	<u>5,000</u>
Total Net Assets	<u>938,573</u>	<u>851,449</u>
Total Liabilities and Net Assets	<u>\$ 1,040,626</u>	<u>\$ 934,865</u>

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

**ALZHEIMER'S TENNESSEE, INC.**  
Knoxville, Tennessee  
**STATEMENTS OF ACTIVITIES**  
Year ended June 30, 2015  
With Comparative Totals for June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2015</u>	<u>Total 2014</u>
<b>SUPPORT AND REVENUE:</b>					
Support:					
Contributions, gifts, grants and pledges:					
Direct public support:					
Memorials and honorariums	\$ 54,200	\$ -	\$ -	\$ 54,200	\$ 56,497
Cash contributions	83,959	-	-	83,959	51,884
Donated facilities	49,000	-	-	49,000	49,000
Planned giving	165,450	-	-	165,450	-
Fund-raising events (primarily Alzheimer's Walk)	612,850	-	-	612,850	614,717
Fund-raising events (Golf Tournament)	44,963	-	-	44,963	43,740
Independent organization special event	186,179	-	-	186,179	192,873
Indirect public support:					
Campus Chest and United Way	7,522	-	-	7,522	6,975
Other	10,858	-	-	10,858	12,251
Private foundation awards	3,912	54,958	-	58,870	125,000
Government grants	7,500	-	-	7,500	84,052
Total Support	<u>1,226,393</u>	<u>54,958</u>	<u>-</u>	<u>1,281,351</u>	<u>1,236,989</u>
Revenue:					
Howard Circle of Friends	105,580	-	-	105,580	93,779
Training fees	14,355	-	-	14,355	19,948
Symposiums	29,194	-	-	29,194	26,375
Interest and dividend income	1,210	-	-	1,210	1,082
Sales of books and materials	79	-	-	79	734
Miscellaneous income	1,825	-	-	1,825	1,832
	<u>152,243</u>	<u>-</u>	<u>-</u>	<u>152,243</u>	<u>143,750</u>
Net assets released from restrictions:					
Private foundation awards	<u>100,050</u>	<u>(100,050)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>1,478,686</u>	<u>(45,092)</u>	<u>-</u>	<u>1,433,594</u>	<u>1,380,739</u>
<b>EXPENSES:</b>					
Program services	1,135,754	-	-	1,135,754	1,175,335
Management and general	37,802	-	-	37,802	52,692
Development and fund-raising	172,914	-	-	172,914	138,269
Total Expenses	<u>1,346,470</u>	<u>-</u>	<u>-</u>	<u>1,346,470</u>	<u>1,366,296</u>
Change in Net Assets	132,216	(45,092)	-	87,124	14,443
Net Assets, Beginning of Year	<u>776,754</u>	<u>69,695</u>	<u>5,000</u>	<u>851,449</u>	<u>837,006</u>
Net Assets – End of Year	<u>\$ 908,970</u>	<u>\$ 24,603</u>	<u>\$ 5,000</u>	<u>\$ 938,573</u>	<u>\$ 851,449</u>

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

**ALZHEIMER'S TENNESSEE, INC.**  
Knoxville, Tennessee  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2015  
With Comparative Total Expenses for June 30, 2014

	Administrative/ General	Development	Education	Advocacy	Research	P/R Communications	Family Support	2015 Total	2014 Total
Salaries	\$ 18,098	\$ 60,027	\$ 149,142	\$ 12,995	\$ 12,109	\$ 179,535	\$ 120,920	\$ 552,826	\$ 615,968
Fringe benefits	1,102	3,283	8,895	1,400	1,141	12,201	7,889	35,911	37,120
Payroll taxes	1,385	4,592	12,814	1,015	968	15,662	9,535	45,971	49,387
Outside services & personnel costs	833	3,683	7,428	8,942	1,046	7,799	6,959	36,690	12,999
Professional fees	296	993	2,579	157	158	2,756	2,461	9,400	9,399
Supplies	997	29,556	11,841	768	4,374	40,631	31,421	119,588	118,584
Telecommunications	373	1,513	4,817	218	259	5,462	4,780	17,422	15,855
Postage	305	6,119	3,598	252	2,564	12,407	2,587	27,832	32,431
Occupancy	2,413	8,348	22,560	1,299	1,346	24,067	20,474	80,507	72,204
Insurance	365	1,224	3,179	194	195	3,397	3,033	11,587	10,542
Printing	25	18,672	17,145	299	2,410	51,887	729	91,167	104,734
Publications and subscriptions	1	4,062	347	351	2,001	4,824	53	11,639	6,023
Conferences	272	415	3,951	19	75	1,365	423	6,520	1,683
Special events & community meetings	98	16,409	24,399	4,151	27,782	15,898	2,543	91,280	85,081
Volunteer training and recognition	-	-	-	-	-	503	357	860	2,376
Travel	495	1,955	9,183	-	1,189	8,784	4,165	25,771	20,320
Specific assistance to individuals	-	-	-	-	-	-	80,007	80,007	72,402
Bank and credit card charges	8,051	-	-	-	-	-	-	8,051	10,557
Miscellaneous	682	5,498	-	150	-	-	900	7,230	1,878
In-kind facilities rental	840	2,640	6,264	432	408	6,720	31,696	49,000	49,000
Depreciation	1,108	3,713	9,648	587	591	10,309	9,205	35,161	35,855
Building maintenance	63	212	552	34	34	629	526	2,050	1,898
<b>Totals</b>	<b>\$ 37,802</b>	<b>\$ 172,914</b>	<b>\$ 298,342</b>	<b>\$ 33,263</b>	<b>\$ 58,650</b>	<b>\$ 404,836</b>	<b>\$ 340,663</b>	<b>\$1,346,470</b>	<b>\$1,366,296</b>

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

**ALZHEIMER'S TENNESSEE, INC.**  
Knoxville, Tennessee  
**STATEMENTS OF CASH FLOWS**  
Years ended June 30, 2015 and 2014

	Year Ended June 30,	
	2015	2014
Cash Flows from Operating Activities		
Cash from contributions	\$ 1,270,587	\$ 1,211,775
Cash from program services	150,954	141,934
Cash from grants – Government	7,500	252,052
Interest received	1,210	1,082
Cash from sales of books	79	734
Total Operating Receipts	1,430,330	1,607,577
Cash paid to and on behalf of employees	636,505	713,346
Cash paid to vendors	587,985	571,075
Cash paid to:		
Respite care grants	80,007	72,402
Total Operating Disbursements	1,304,497	1,356,823
Net Cash Provided by Operating Activities	125,833	250,754
Net Increase in Cash	125,833	250,754
Cash at Beginning of Year	609,672	358,918
Cash at End of Year	\$ 735,505	\$ 609,672
Supplemental schedule of noncash activities		
In-kind donation of facilities rent	\$ 49,000	\$ 49,000

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

**ALZHEIMER'S TENNESSEE, INC.**  
Knoxville, Tennessee  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2015 and 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

Contributions Receivable: Unconditional promises to give, less an allowance for uncollectible accounts, are recognized as revenue and as assets in the period in which the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Management determines the allowance based on prior collection history with the donor, type of contribution and historical collection trends. Significant contributions receivable due in more than one year are discounted to their present value (estimated fair value) using a rate commensurate with the risks involved. At June 30, 2015 and 2014, there were no discounts recorded for contributions receivable due in more than one year.

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

(Continued)



**ALZHEIMER'S TENNESSEE, INC.**  
Knoxville, Tennessee  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2015 and 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounts Receivable: Accounts receivable represents outstanding balances owed for training fees, symposium registrations and book sales. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization considers the credit worthiness of those who request to have a charge account. Service charges are not routinely recorded on accounts that have not been paid by the due date that was agreed to as part of the terms of charging for the service. When an account is determined to be uncollectible it is written-off as a bad debt. As of June 30, 2015, there were no accounts receivable.

Inventories: Inventory consists of educational materials such as books and brochures and is recorded at cost on the first-in, first-out basis.

Leasehold Improvements, Furniture, and Equipment: Leasehold improvements, furniture and equipment, in excess of \$500, are capitalized and are recorded at cost. Donated furniture and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. Depreciation expense for the years ended June 30, 2015 and 2014 was \$35,161 and \$35,855, respectively, computed on a straight-line basis over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the period. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewal or betterments. A song and lyrics "Find the Way" was donated to the Organization in a prior year. The Organization intends to use the music as a theme. No value has been assigned to this asset because the fair market value of the song is indeterminable.

Donated Equipment, Materials, Services, and Facilities: The Organization records the value of donated goods or services when there is an objective basis available to measure their value. Donated equipment, materials and facilities are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. The Organization received the use of donated facilities for office space and an adult day care facility with an estimated value of \$49,000 and \$49,000 for the years ended June 30, 2015 and 2014, respectively.

Donated marketable securities are reflected as contributions at the average of the open and closing stock price of the security on the date of the donation per the applicable stock market quotations. During the year ended June 30, 2014 there were no securities received or sold. Donated jewelry is recorded at the appraisal value provided by a local jeweler.

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

Income Taxes: The Organization is a non-profit organization as described in Section 501(c)(3) of the U.S. Internal Revenue Code and is exempt from federal and state income taxes. The Organization is classified to be other than a private foundation by the Internal Revenue Service. The Organization's Forms 990, "Return of Organization Exempt from Income Tax", for the years ending June 30, 2012, 2013, and 2014 are subject to examination by the Internal Revenue Service, generally for three years after the returns are filed.

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**ALZHEIMER'S TENNESSEE, INC.**  
 Knoxville, Tennessee  
**NOTES TO FINANCIAL STATEMENTS**  
 Years Ended June 30, 2015 and 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Advertising: Expenses for advertising are recognized as incurred. Expenses totaled \$38,516 for the year ended June 30, 2015 and \$39,193 for June 30, 2014.

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

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

The Organization had deposits with local financial institutions that exceeded the insured limits of the Federal Deposit Insurance Corporation. The Organization's bank deposits were in excess of the Federal Deposit Insurance Corporation insurance limits by approximately \$490,505 and \$364,672 at June 30, 2015 and 2014, respectively. A local financial institution has pledged securities of \$500,000 to cover the Organization's deposits in excess of FDIC insurance. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

**NOTE C – CONTRIBUTIONS RECEIVABLE**

Gross accounts receivable and contributions receivable consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
<u>Contributions Receivable:</u>		
Event sponsorships	\$ <u>42,197</u>	\$ <u>38,933</u>
Contributions receivable are due as follows:		
Receivable in less than one year	\$ 42,197	\$ 38,933
Receivable in one to five years	<u>-</u>	<u>-</u>
Total contributions receivable	<u>\$ 42,197</u>	<u>\$ 38,933</u>

**NOTE D – LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT**

Leasehold improvements, furniture and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Vehicles	\$ 32,580	\$ 32,580
Leasehold improvements	272,345	272,345
Furniture and equipment	<u>70,628</u>	<u>70,628</u>
	375,553	375,553
Less – Accumulated depreciation	<u>(148,566)</u>	<u>(113,405)</u>
	<u>\$ 226,987</u>	<u>\$ 262,148</u>

(Continued)

**ALZHEIMER'S TENNESSEE, INC.**  
 Knoxville, Tennessee  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 Years Ended June 30, 2015 and 2014

**NOTE E – RESTRICTED NET ASSETS**

The restricted net assets of the Organization consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
<u>Temporarily Restricted:</u>		
Bill Legge Fund	\$ 1,730	\$ 1,730
Lucille S. Thompson Scholarship Fund	<u>22,873</u>	<u>67,965</u>
	24,603	69,695
<u>Permanently Restricted:</u>		
Vandeventor Endowment	<u>5,000</u>	<u>5,000</u>
Total Restricted Net Assets	<u>\$ 29,603</u>	<u>\$ 74,695</u>

Net assets were released from donor restrictions by satisfaction of grant requirements during years ended June 30, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Restricted Donations		
Akima Club HCOF Grant	\$ -	\$ 1,000
Lucille S. Thompson Scholarship Fund	100,050	57,035
Scott County Grant	<u>-</u>	<u>11,518</u>
	<u>\$ 100,050</u>	<u>\$ 69,553</u>

**NOTE F – 401(k) PLAN**

Effective February 1, 2000, the Organization adopted the Alzheimer's Tennessee 401(k) Profit Sharing Plan (the Plan). The Plan covers all eligible employees who have completed one year of service and attained age 21. The Organization matches 25 percent of employees' contributions to the plan up to 4 percent of annual compensation. The Organization may also make discretionary contributions. The Organization made matching discretionary contributions of \$15,968 and \$11,103 for the years ended June 30, 2015 and 2014, respectively.

**NOTE G – FUNCTIONAL ALLOCATION OF EXPENSES**

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

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**ALZHEIMER'S TENNESSEE, INC.**  
 Knoxville, Tennessee  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 Years Ended June 30, 2015 and 2014

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

	<u>2015</u>	<u>2014</u>
Change in net assets	\$ 87,124	\$ 14,443
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	35,161	35,855
Changes in operating assets and liabilities:		
Contributions receivable	(3,264)	57,215
Prepaid expenses	(1,914)	(4,049)
Accounts payable and accrued expenses	18,637	(26,382)
Grants receivable	-	168,000
Inventory	(9,911)	5,672
Net Cash Provided (Used) by Operating Activities	<u>\$ 125,833</u>	<u>\$ 250,754</u>

**NOTE I – SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2015, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is December 9, 2015, which is the date on which the financial statements were issued.