

RESPITE AND RESEARCH FOR  
ALZHEIMER'S DISEASE

FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Respite and Research for  
Alzheimer's Disease  
San Jose, California

We have audited the accompanying statement of financial position of Respite and Research for Alzheimer's Disease as of June 30, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's financial statements for the year ended June 30, 2010 and, in our report dated August 17, 2010, we expressed an unqualified opinion on those financial statements.

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

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

A handwritten signature in black ink that reads "Berger Lewis Accountancy Corporation". The signature is written in a cursive, flowing style.

BERGER LEWIS ACCOUNTANCY CORPORATION  
San Jose, California  
August 15, 2011

RESPIRE AND RESEARCH FOR ALZHEIMER'S DISEASE  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2011 AND 2010

|   | 2011                |                           |                                 | 2010                |                     |
|---|---------------------|---------------------------|---------------------------------|---------------------|---------------------|
|   | Operating<br>Fund   | Temporarily<br>Restricted | Building &<br>Equipment<br>Fund | TOTAL ALL FUNDS     |                     |
| <u>ASSETS</u>                                       |                     |                           |                                 |                     |                     |
| Cash  | \$ 104,872          | \$ 7,734                  | \$ -                            | \$ 112,606          | \$ 369,641          |
| Investments (Note 2)                                | 1,557,608           | -                         | -                               | 1,557,608           | 1,435,859           |
| Accounts receivable                                 | 24,917              | -                         | -                               | 24,917              | 20,445              |
| Grants receivable                                   | 63,858              | -                         | -                               | 63,858              | 48,005              |
| Prepaid expenses and other assets                   | 68,111              | -                         | -                               | 68,111              | 21,690              |
| Building and equipment net of depreciation (Note 3) | -                   | -                         | 1,760,128                       | 1,760,128           | 1,632,151           |
| <b>TOTAL ASSETS</b>                                 | <u>\$ 1,819,366</u> | <u>\$ 7,734</u>           | <u>\$ 1,760,128</u>             | <u>\$ 3,587,228</u> | <u>\$ 3,527,791</u> |
| <u>LIABILITIES AND NET ASSETS</u>                   |                     |                           |                                 |                     |                     |
| Liabilities:  |                     |                           |                                 |                     |                     |
| Accounts payable                                    | \$ 14,377           | \$ -                      | \$ -                            | \$ 14,377           | \$ 45,809           |
| Accrued expenses                                    | 104,773             | -                         | -                               | 104,773             | 77,024              |
| Deferred revenue                                    | 3,667               | -                         | -                               | 3,667               | 8,368               |
| <b>TOTAL LIABILITIES</b>                            | <u>122,817</u>      | <u>-</u>                  | <u>-</u>                        | <u>122,817</u>      | <u>131,201</u>      |
| Unrestricted net assets:                            |                     |                           |                                 |                     |                     |
| Designated (Note 5)                                 | 1,696,549           | -                         | -                               | 1,696,549           | 1,736,997           |
| Invested in building and equipment                  | -                   | -                         | 1,760,128                       | 1,760,128           | 1,632,151           |
| Total unrestricted net assets                       | 1,696,549           | -                         | 1,760,128                       | 3,456,677           | 3,369,148           |
| Temporarily restricted net assets (Note 6)          | -                   | 7,734                     | -                               | 7,734               | 27,442              |
| <b>TOTAL NET ASSETS</b>                             | <u>1,696,549</u>    | <u>7,734</u>              | <u>1,760,128</u>                | <u>3,464,411</u>    | <u>3,396,590</u>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>             | <u>\$ 1,819,366</u> | <u>\$ 7,734</u>           | <u>\$ 1,760,128</u>             | <u>\$ 3,587,228</u> | <u>\$ 3,527,791</u> |

The accompanying notes are an integral part of this statement.

RESPIRE AND RESEARCH FOR ALZHEIMER'S DISEASE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

|  | Unrestricted        | Temporarily<br>Restricted | Total               |                     |
|--|---------------------|---------------------------|---------------------|---------------------|
|  |                     |                           | 2011                | 2010                |
| <u>SUPPORT AND REVENUE</u>   |                     |                           |                     |                     |
| Support:   |                     |                           |                     |                     |
| Contributions (including in-kind - \$22,800 - 2011,<br>\$8,000 - 2010) | \$ 192,877          | \$ 4,561                  | \$ 197,438          | \$ 205,775          |
| Total support  | <u>192,877</u>      | <u>4,561</u>              | <u>197,438</u>      | <u>205,775</u>      |
| Revenue:   |                     |                           |                     |                     |
| Governmental fees and grants (Note 1)                                  | 394,185             | -                         | 394,185             | 359,107             |
| Day care fees  | 925,078             | -                         | 925,078             | 870,885             |
| Investment income  | 303,959             | -                         | 303,959             | 159,293             |
| Total revenue  | <u>1,623,222</u>    | <u>-</u>                  | <u>1,623,222</u>    | <u>1,389,285</u>    |
| Total support and revenue  | <u>1,816,099</u>    | <u>4,561</u>              | <u>1,820,660</u>    | <u>1,595,060</u>    |
| Net assets released from restrictions:                                 |                     |                           |                     |                     |
| Satisfaction of program restrictions                                   | 24,269              | (24,269)                  | -                   | -                   |
| TOTAL SUPPORT AND REVENUE  | <u>1,840,368</u>    | <u>(19,708)</u>           | <u>1,820,660</u>    | <u>1,595,060</u>    |
| <u>EXPENSES</u>  |                     |                           |                     |                     |
| Program Services:  |                     |                           |                     |                     |
| Rosa Elena Childcare Center  | 260,119             |                           | 260,119             | 279,988             |
| Edmondson Living Center  | 37,411              |                           | 37,411              | 16,609              |
| Alzheimer's Activity Center  | 1,262,460           |                           | 1,262,460           | 1,146,125           |
| Total Program Services   | <u>1,559,990</u>    |                           | <u>1,559,990</u>    | <u>1,442,722</u>    |
| Supporting Services:   |                     |                           |                     |                     |
| Management and General   | 166,693             |                           | 166,693             | 143,403             |
| Fund Development   | 26,156              |                           | 26,156              | 62,498              |
| Total Supporting Services  | <u>192,849</u>      |                           | <u>192,849</u>      | <u>205,901</u>      |
| TOTAL EXPENSES   | <u>1,752,839</u>    |                           | <u>1,752,839</u>    | <u>1,648,623</u>    |
| CHANGE IN NET ASSETS   | 87,529              | (19,708)                  | 67,821              | (53,563)            |
| NET ASSETS - JULY 1  | <u>3,369,148</u>    | <u>27,442</u>             | <u>3,396,590</u>    | <u>3,450,153</u>    |
| NET ASSETS - JUNE 30   | <u>\$ 3,456,677</u> | <u>\$ 7,734</u>           | <u>\$ 3,464,411</u> | <u>\$ 3,396,590</u> |

The accompanying notes are in integral part of this statement.

RESPITE AND RESEARCH FOR ALZHEIMER'S DISEASE  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

|  | PROGRAM SERVICES                  |                               |                                   |              | SUPPORTING SERVICES          |                     |            | TOTAL EXPENSES |              |
|--|-----------------------------------|-------------------------------|-----------------------------------|--------------|------------------------------|---------------------|------------|----------------|--------------|
|  | Rosa Elena<br>Childcare<br>Center | Edmondson<br>Living<br>Center | Alzheimer's<br>Activity<br>Center | Total        | Management<br>and<br>General | Fund<br>Development | Total      | 2011           | 2010         |
| Salaries and wages                                 | \$ 176,806                        | \$ 15,928                     | \$ 763,477                        | \$ 956,211   | \$ 104,326                   | \$ 18,880           | \$ 123,206 | \$ 1,079,417   | \$ 943,741   |
| Payroll taxes                                      | 15,640                            | 1,373                         | 68,833                            | 85,846       | 10,061                       | 1,583               | 11,644     | 97,490         | 81,253       |
| Employee benefits                                  | 23,482                            | 1,742                         | 117,897                           | 143,121      | 16,482                       | 2,712               | 19,194     | 162,315        | 107,496      |
| TOTAL SALARIES AND<br>RELATED EXPENSES             | 215,928                           | 19,043                        | 950,207                           | 1,185,178    | 130,869                      | 23,175              | 154,044    | 1,339,222      | 1,132,490    |
| Professional fees (including in-kind services)     | 2,279                             | 978                           | 39,461                            | 42,718       | 21,938                       | -                   | 21,938     | 64,656         | 158,280      |
| Supplies   | 6,944                             | 1,186                         | 29,768                            | 37,898       | 773                          | 41                  | 814        | 38,712         | 25,634       |
| Food   | 3,923                             | -                             | 96,255                            | 100,178      | 184                          | -                   | 184        | 100,362        | 86,816       |
| Telephone  | 902                               | 904                           | 4,685                             | 6,491        | 363                          | -                   | 363        | 6,854          | 6,648        |
| Printing   | 218                               | -                             | 1,043                             | 1,261        | 103                          | 2,940               | 3,043      | 4,304          | 1,971        |
| Postage  | 612                               | 79                            | 2,845                             | 3,536        | 232                          | -                   | 232        | 3,768          | 2,069        |
| Occupancy costs/<br>building maintenance           | 10,094                            | 6,716                         | 46,594                            | 63,404       | 4,228                        | -                   | 4,228      | 67,632         | 106,335      |
| Equipment repairs, maintenance,<br>small purchases | 2,086                             | 979                           | 11,210                            | 14,275       | 640                          | -                   | 640        | 14,915         | 12,928       |
| Insurance  | 3,500                             | 5,459                         | 12,328                            | 21,287       | 802                          | -                   | 802        | 22,089         | 22,572       |
| Membership dues/licensing                          | 830                               | 1,594                         | 2,682                             | 5,106        | 36                           | -                   | 36         | 5,142          | 6,695        |
| Advertising  | 649                               | -                             | 3,153                             | 3,802        | -                            | -                   | -          | 3,802          | 2,000        |
| Miscellaneous                                      | 841                               | 473                           | 9,199                             | 10,513       | 161                          | -                   | 161        | 10,674         | 14,143       |
| TOTAL EXPENSES BEFORE<br>DEPRECIATION              | 248,806                           | 37,411                        | 1,209,430                         | 1,495,647    | 160,329                      | 26,156              | 186,485    | 1,682,132      | 1,578,581    |
| Depreciation                                       | 11,313                            | -                             | 53,030                            | 64,343       | 6,364                        | -                   | 6,364      | 70,707         | 70,042       |
| TOTAL EXPENSES                                     | \$ 260,119                        | \$ 37,411                     | \$ 1,262,460                      | \$ 1,559,990 | \$ 166,693                   | \$ 26,156           | \$ 192,849 | \$ 1,752,839   | \$ 1,648,623 |
| Percentage of total                                | 14.8%                             | 2.1%                          | 72.0%                             | 89.0%        | 9.5%                         | 1.5%                | 11.0%      | 100.0%         |              |

The accompanying notes are an integral part of this statements.

RESPIRE AND RESEARCH FOR ALZHEIMER'S DISEASE  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

|  | <u>2011</u>       | <u>2010</u>       |
|--|-------------------|-------------------|
| Increase (decrease) in cash and cash equivalents   |                   |                   |
| <u>Cash flows provided (used) by operating activities</u>  |                   |                   |
| Change in net assets - - - - -   | \$ 67,821         | \$ (53,563)       |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: |                   |                   |
| Depreciation - - - - -   | 70,707            | 70,042            |
| Realized/unrealized (gains) losses on investments - - - - -  | (280,043)         | (125,463)         |
| (Increase) decrease in assets:   |                   |                   |
| Receivables - - - - -  | (20,325)          | (28,160)          |
| Prepaid expenses - - - - -   | (46,421)          | 182               |
| Increase (decrease) in liabilities:  |                   |                   |
| Accounts payable - - - - -   | (31,432)          | 31,728            |
| Accrued expenses - - - - -   | 27,749            | 1,039             |
| Deferred revenue - - - - -   | (4,701)           | 2,317             |
| Total adjustments - - - - -  | <u>(284,466)</u>  | <u>(48,315)</u>   |
| Net cash provided (used) by operating activities - - - - -   | <u>(216,645)</u>  | <u>(101,878)</u>  |
| <u>Cash flows provided (used) by investing activities:</u>   |                   |                   |
| Purchase of equipment/building improvements - - - - -  | (199,022)         | (18,935)          |
| Loss on disposition of equipment - - - - -   | -                 | 1,532             |
| Proceeds from sale of investments - - - - -  | 908,698           | 626,132           |
| Purchase of investments - - - - -  | <u>(750,066)</u>  | <u>(504,634)</u>  |
| Net cash provided (used) by investing activities - - - - -   | <u>(40,390)</u>   | <u>104,095</u>    |
| Net increase (decrease) in cash and cash equivalents - - - - -                                     | (257,035)         | 2,217             |
| Cash and cash equivalents at beginning of year - - - - -   | <u>369,641</u>    | <u>367,424</u>    |
| Cash and cash equivalents at end of year - - - - -   | <u>\$ 112,606</u> | <u>\$ 369,641</u> |

The accompanying notes are an integral part of this statement.

RESPIRE AND RESEARCH FOR  
ALZHEIMER'S DISEASE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

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NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Respite and Research for Alzheimer's Disease (the Organization) has operated for over 25 years with the mission of supporting those affected by Alzheimer's and other dementias. The Organization achieves its mission through a unique integration of a dementia-specific therapeutic social adult day program, the Alzheimer's Activity Center and a preschool, the Rosa Elena Childcare Center.

The Organization is working towards opening a dementia-specific residential component with the Edmondson Living Center; residents will spend their days with at the Alzheimer's Activity Center and evenings at the Edmondson Living Center.

Summary of Significant Accounting Policies

Basis of Presentation

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. The Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted Net Assets include the Operating Fund, Board Designated Funds and the Unrestricted Building and Equipment Fund. These funds record the net assets over which the Board of Directors has discretionary control and which are used to carry out operations of the Organization in accordance with its bylaws.

Included in this net asset class are the program facilities, which are located on land, owned by the County of Santa Clara (County). Such improvements revert to the County at the end of the lease - November 2037.

- Temporarily Restricted Net Assets include resources currently available for use, but expendable only for those operating purposes specified by the donor or funding source. Resources of this fund originate from gifts, grants and bequests. The Organization does not imply a time restriction on gifts of long lived assets.
- Permanently Restricted Net Assets include endowment funds and items of property and equipment which consist of gifts and bequests accepted with the donor stipulation that the principal or fixed asset item be restricted in perpetuity. There are currently no permanently restricted net assets.

RESPITE AND RESEARCH FOR  
ALZHEIMER'S DISEASE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

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NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Revenue Recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Grant revenue and program fees are recognized as revenue in the period in which the service is provided.

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the nature of donor restrictions if any. Restricted contributions are reported as increases in restricted net assets. When the restriction is met on a contribution received, the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Contributions In-Kind

Donated equipment is recorded at estimated fair market value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair market value at the time the services are rendered.

Grants

Grants to support the Organization's programs are received from federal, state, and local governments as well as corporations and foundations. Included in government fees and grants are amounts received from the City of San José (CDBG - \$54,478, Healthy Neighborhoods Venture Fund - \$40,000), County of Santa Clara (General Fund - \$49,937), Council on Aging: Family Caregiver Support Program (\$100,000), One Time Only Service Expansion (\$42,000).

Allowance for Doubtful Receivables

No allowance for doubtful receivables has been made at June 30 due to the fact that the Organization has not had sufficient write-off experience with bad debts to warrant such an allowance. When an account is deemed uncollectible it is charged against the related revenue account.

Cash & Cash Equivalents

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

RESPITE AND RESEARCH FOR  
ALZHEIMER'S DISEASE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

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NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Building and Equipment

Building and equipment are recorded at cost or, if contributed, at the estimated fair market value when donated. It is the Organization's policy to capitalize items costing more than \$1,000. Depreciation is computed using the straight line method over an estimated useful life of five to seven years for equipment and 30 years for buildings and improvements. Depreciation is recorded as a decrease in unrestricted net assets and the expense is charged to the activity benefiting from the use of the facilities or equipment.

Prior Year Information

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

Indirect Expense Allocations

Indirect expense allocations are based on the number of full time equivalent staff members in each activity.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Income Taxes

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation.

Uncertainty in Income Taxes - Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in their federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

RESPIRE AND RESEARCH FOR  
ALZHEIMER'S DISEASE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

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NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Uncertainty in Income Taxes (Continued)

The Organization's federal returns for the years ended June 30, 2011 and 2010 could be subject to examination by federal taxing authorities, generally for three years after they are filed. The Organization's state returns for the years ended June 30, 2011 and 2010 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

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."

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

RESPIRE AND RESEARCH FOR  
ALZHEIMER'S DISEASE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

NOTE 2 - INVESTMENTS

All of the following investments are classified as Level 1 investments (See Note 1). The fair market value of investments as of June 30 is as follows:

|  | <u>2011</u>         | <u>2010</u>         |
|--|---------------------|---------------------|
| Mutual Funds:                          |                     |                     |
| Templeton Global                       | \$ 100,873          | \$ -                |
| Common Stocks:                         |                     |                     |
| Various                                | 1,070,703           | 988,290             |
| Bonds:                                 |                     |                     |
| Various                                | 386,032             | 447,569             |
|  | <u>\$ 1,557,608</u> | <u>\$ 1,435,859</u> |
| Composition of Investment Income:      |                     |                     |
| Realized and unrealized gains (losses) | \$ 280,043          | \$ 125,463          |
| Interest and dividends                 | 44,947              | 54,992              |
| Management fees                        | (21,031)            | (21,162)            |
| Total                                  | <u>\$ 303,959</u>   | <u>\$ 159,293</u>   |

NOTE 3 - BUILDING AND EQUIPMENT

The cost or donated value of building and equipment at June 30 is as follows:

|                                | <u>2011</u>         | <u>2010</u>         |
|--------------------------------|---------------------|---------------------|
| Building and improvements      | \$ 1,815,428        | \$ 1,815,428        |
| Office furniture and equipment | 116,850             | 112,210             |
|                                | <u>1,932,278</u>    | <u>1,927,638</u>    |
| Accumulated depreciation       | (1,093,280)         | (1,027,762)         |
|                                | 838,998             | 899,876             |
| Construction in progress       | 921,130             | 732,275             |
| Net                            | <u>\$ 1,760,128</u> | <u>\$ 1,632,151</u> |

RESPITE AND RESEARCH FOR  
ALZHEIMER'S DISEASE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

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NOTE 4 - RETIREMENT PLAN

The Organization maintains a retirement plan (403(b)) for all eligible employees. Employees are allowed to contribute the maximum amount set by law. The Organization offers a 3% maximum salary match to the eligible employees. The total employer contributions made by the Organization to the employee's retirement accounts were \$13,929 and \$5,308 for the years ended June 30, 2011 and 2010, respectively.

NOTE 5 - BOARD DESIGNATED NET ASSETS

The Board of Directors has designated current unrestricted funds for unanticipated expenditures and to assure the timely payment of obligations arising as a result of program expansion and completion of the Edmondson Living Center.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of donor contributions earmarked for scholarships.

NOTE 7 - CONTINGENT LIABILITIES

Conditions contained within the various contracts awarded to the Organization are subject to the funding organization's criteria and regulations under which expenditures may be charged against and are subject to be audited under such regulations and criteria. Occasionally such audits may determine that certain costs incurred against the grants may not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding organization for the costs or be subject to the reductions of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

NOTE 8 - SUBSEQUENT EVENTS

Management of the Organization has evaluated events and transactions subsequent to June 30, 2011 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the fiscal year ended June 30, 2011. Subsequent events have been evaluated through the date the financial statements became available to be issued, August 15, 2011.