

ALZHEIMER'S ALLIANCE OF NORTHEAST TEXAS, INC.

dba ALZHEIMER'S ALLIANCE OF SMITH COUNTY

FINANCIAL STATEMENTS – MODIFIED CASH BASIS

DECEMBER 31, 2023

Gollob Morgan Peddy PC
CERTIFIED PUBLIC ACCOUNTANTS

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**ALZHEIMER’S ALLIANCE OF NORTHEAST TEXAS, INC. dba
ALZHEIMER’S ALLIANCE OF SMITH COUNTY
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YEAR ENDED DECEMBER 31, 2023**

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Independent Auditors' Report

Board of Directors
Alzheimer's Alliance of Northeast Texas, Inc. dba
Alzheimer's Alliance of Smith County

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Alzheimer's Alliance of Northeast Texas, Inc. dba Alzheimer's Alliance of Smith County, which comprise the statement of assets, liabilities, and net assets—modified cash basis as of December 31, 2023, and the related statement of revenue, expenses, and changes in net assets—modified cash basis, statement of functional expenses – modified cash basis, and statement of cash flows – modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Alzheimer's Alliance of Northeast Texas, Inc. dba Alzheimer's Alliance of Smith County as of December 31, 2023, and its revenue and expenses and cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note A.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Alzheimer's Alliance of Northeast Texas, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Alzheimer's Alliance of Northeast Texas, Inc. dba Alzheimer's Alliance of Smith County's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Alzheimer's Alliance of Northeast Texas, Inc. dba Alzheimer's Alliance of Smith County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alzheimer's Alliance of Northeast Texas, Inc. dba Alzheimer's Alliance of Smith County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, Texas
May 13, 2024

**ALZHEIMER'S ALLIANCE OF NORTHEAST TEXAS, INC. dba
ALZHEIMER'S ALLIANCE OF SMITH COUNTY
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2023**

ASSETS	
<u>Current Assets</u>	
Cash and cash equivalents - unrestricted	\$ 384,794
Cash and cash equivalents - restricted	71,781
Total cash and cash equivalents	<u>456,575</u>
Marketable securities	<u>513,323</u>
Total Current Assets	<u>969,898</u>
<u>Property and Equipment</u>	
Buildings	1,107,121
Building Improvements	870,324
Furniture and equipment	121,324
	<u>2,098,769</u>
Less: Accumulated depreciation	<u>(86,433)</u>
Net Property and Equipment	<u>2,012,336</u>
<u>Other Assets</u>	
Deposits	<u>2,475</u>
TOTAL ASSETS	<u>2,984,709</u>
LIABILITIES AND NET ASSETS	
<u>Current Liabilities</u>	
Payroll deductions	13
Payroll taxes	2,985
Current portion of long-term debt	72,179
Total Current Liabilities	<u>75,177</u>
<u>Long-Term Liabilities</u>	
Long-term debt, net of current portion	<u>1,052,384</u>
Total Long-Term Liabilities	<u>1,052,384</u>
<u>Total Liabilities</u>	<u>1,127,561</u>
<u>Net Assets</u>	
Without donor restrictions:	
Board designated	175,442
Undesignated	1,609,925
Total without donor restrictions	<u>1,785,367</u>
With donor restrictions	<u>71,781</u>
Total Net Assets	<u>1,857,148</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,984,709</u>

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

**ALZHEIMER'S ALLIANCE OF NORTHEAST TEXAS, INC. dba
ALZHEIMER'S ALLIANCE OF SMITH COUNTY
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES			
Contributions, gifts, grants and pledges:			
Direct Support:			
Grants	\$ 119,165	\$ 109,795	\$ 228,960
Contributions - individuals	260,716	29,500	290,216
Contributions - corporate/foundations	168,341	61,000	229,341
Contributions - civic organizations	2,621	-	2,621
Counseling income	2,077	-	2,077
Day care	43,965	-	43,965
Donated goods and supplies	4,500	-	4,500
Employee retention credit	185,833	-	185,833
Fundraising events	111,511	-	111,511
Games day Mahjongg for Memory	47,892	-	47,892
Mahjongg card sales	32,446	-	32,446
MARC income	19,200	-	19,200
Other misc. income	1,481	-	1,481
Project Lifesaver income	3,861	-	3,861
Training income	4,576	-	4,576
Interest income	9,122	-	9,122
Net unrealized gain (loss) on marketable securities	33,367	-	33,367
Realized gain (loss) on marketable securities	(829)	-	(829)
Total Revenues	<u>1,049,845</u>	<u>200,295</u>	<u>1,250,140</u>
 Net Assets Released From Restrictions			
Expiration of time or other restrictions	<u>531,004</u>	<u>(531,004)</u>	<u>-</u>
Total Net Assets Released From Restrictions	<u>531,004</u>	<u>(531,004)</u>	<u>-</u>
 Total Revenues and Net Assets Released			
From Restrictions	1,580,849	(330,709)	1,250,140
 EXPENSES			
Programs	865,125	-	865,125
Fundraising	70,917	-	70,917
General and administrative	<u>106,754</u>	<u>-</u>	<u>106,754</u>
Total Expenses	<u>1,042,795</u>	<u>-</u>	<u>1,042,795</u>
 Change in Net Assets	538,054	(330,709)	207,345
 Net Assets at December 31, 2022	<u>1,247,313</u>	<u>402,490</u>	<u>1,649,803</u>
 Net Assets at December 31, 2023	<u>\$ 1,785,367</u>	<u>\$ 71,781</u>	<u>\$ 1,857,148</u>

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

**ALZHEIMER'S ALLIANCE OF NORTHEAST TEXAS, INC. dba
ALZHEIMER'S ALLIANCE OF SMITH COUNTY
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	TOTAL EXPENSES	PROGRAM	FUNDRAISING	GENERAL AND ADMINISTRATIVE
Auxiliary expenses	\$ 37,794	\$ 1,890	\$ 35,904	\$ -
Bank, credit card, and management fees	3,093	2,598	155	340
Depreciation	51,900	43,596	2,595	5,709
Dues and assessments	3,701	3,183	148	370
Employee benefits	51,462	42,713	2,573	6,175
Insurance	19,156	16,091	958	2,107
Interest Expense	42,597	1,533	2,300	38,763
Management fee	2,189	-	-	2,189
Occupancy	49,698	41,746	2,485	5,467
Office expense	30,823	25,891	1,541	3,391
Personnel expense	473,563	416,735	22,257	34,570
Professional services	76,721	69,049	-	7,672
Programs & services	200,098	200,098	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u><u>\$ 1,042,795</u></u>	<u><u>\$ 865,125</u></u>	<u><u>\$ 70,917</u></u>	<u><u>\$ 106,754</u></u>

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

**ALZHEIMER'S ALLIANCE OF NORTHEAST TEXAS, INC. dba
ALZHEIMER'S ALLIANCE OF SMITH COUNTY
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 207,345
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	51,900
Interest earned on investments (net of fees)	(5,325)
Net realized and unrealized gains on marketable securities	(32,538)
(Increase) Decrease in:	
Payroll tax liability	<u>(65)</u>
Net Cash Provided by Operating Activities	<u>221,317</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of furniture and equipment	(16,961)
Purchase of investments	<u>(66,667)</u>
Net Cash Used in Investing Activities	<u>(83,628)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on notes payable	<u>(367,767)</u>
Net Cash Used in Financing Activities	<u>(367,767)</u>
Net decrease in cash	(230,078)
Cash and cash equivalents, beginning of year	<u>686,653</u>
CASH AND CASH EQUIVALENTS, AT YEAR END	<u><u>\$ 456,575</u></u>

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

**ALZHEIMER'S ALLIANCE OF NORTHEAST TEXAS, INC. dba
ALZHEIMER'S ALLIANCE OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2023**

NOTE A: SUMMARY OF ACCOUNTING POLICIES

Organization and Nature of Activities

The Alzheimer's Alliance of Northeast Texas, Inc., the "Alliance", provides support and assistance to the afflicted patients and their families and provides awareness and education of the disease throughout Northeast Texas.

Basis of Accounting

The financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, revenues are recorded in the period in which they are received and expenses are recorded in the period in which they are paid. As described in more detail in Note C, marketable securities are reflected at fair value as of December 31, 2023. The recording of marketable securities at fair value and the liabilities recorded are both exceptions to the modified cash basis of accounting but are not material to the overall financial statement presentation.

The financial statement presentation also follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification 958, *Financial Statements of Not-for-Profit Organizations* (ASC 958).

Property and Equipment

Property and equipment are stated at cost, or if donated, at fair market value at the date the donation is made. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts. The resulting gains or losses are included in income. Depreciation is computed using the straight-line method over the estimated useful lives ranging from 3 to 35 years. Depreciation expense for the year ended December 31, 2023 was \$51,900.

Support and Revenues

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and nature of any donor restrictions. All contributions are considered to be without donor restrictions unless specifically restricted by the donor or subject to legal restrictions.

Income Taxes

The Alliance is an Internal Revenue Code Section 501(c)(3) charitable organization. Accordingly, income and expenses related to the purpose of the Alliance, as approved by the Internal Revenue Service, are exempt from taxation. Accordingly, no provision for federal income taxes has been recorded in the accompanying financial statements. The Alliance has not been classified by the Internal Revenue Service as a private foundation and all donations made to the Alliance are tax deductible.

The Alliance has adopted the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. The Alliance records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. The Alliance believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Alliance continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Alliance has to file income tax returns in the U.S. federal jurisdiction. The Alliance is no longer subject to U.S. tax examinations by tax authorities for years before the 2020 tax year.

**ALZHEIMER'S ALLIANCE OF NORTHEAST TEXAS, INC. dba
ALZHEIMER'S ALLIANCE OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2023**

NOTE A: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of presentation in the statement of cash flows, the Alliance considers cash equivalents to be short-term, highly liquid investments, such as investments in money market funds that are readily convertible to cash and have original maturities when acquired of three months or less.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenue, expenses, and changes in net assets – modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services based on estimates made by management.

Fair Value Measurements

The Alliance follows FASB ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value as an exit price, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of ASC 820 apply to all financial assets and liabilities measured at fair value.

As a basis for considering these assumptions, ASC 820 defines a three-tier value hierarchy that prioritizes the inputs used in the valuation methodologies in measuring fair value.

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

At December 31, 2023, the Alliance has Level 1 investments which are measured at fair value on a recurring basis.

Marketable securities

Investments in marketable securities with readily determinable fair values are measured at fair value in the Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the Statement of Revenue, Expenses, and Changes in Net Assets – Modified Cash Basis as an increase or decrease in unrestricted net assets unless the income or loss is restricted by the donor or law.

Beneficial Interest in Endowment Fund

Interest in the endowment fund includes investments in securities which are valued at current fair value based upon quoted market prices. Other assets, net of liabilities, are valued at cost. Changes in the interest in the endowment fund are included in the Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis and Statement of Revenue, Expenses, and Changes in Net Assets – Modified Cash Basis, as applicable.

Use of Estimates

The preparation of modified cash basis financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**ALZHEIMER'S ALLIANCE OF NORTHEAST TEXAS, INC. dba
ALZHEIMER'S ALLIANCE OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2023**

NOTE A: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Employees of the Alliance are entitled to paid vacation and sick days, depending on job classification, length of service, and other factors. The Alliance's policy is to recognize the costs of compensated absences when actually paid to employees.

Presentation of Financial Statements of Not-for Profit Entities

The Company follows the presentation guidelines under Accounting Standards Update (ASU) No. 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities". Under this ASU, the Alliance reports its net assets under two categories: 1) with donor restrictions and 2) without donor restrictions and it reflects the necessary information in the notes about liquidity, financial performance, and cash flows.

Advertising Costs

The Alliance uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2023 was \$16,660 and is included with program and services on the Statement of Functional Expenses – Modified Cash Basis.

NOTE B: BENEFICIAL INTEREST IN ENDOWMENT FUND

The Alliance transferred unrestricted net assets to the East Texas Communities Foundation (ETCF) to establish the Alzheimer's Alliance of Northeast Texas Endowment Fund. ETCF manages the Alliance's investments in a moderate portfolio. Distributions are restricted to only the Alliance and only one distribution per year is allowed. Distributions may be made up to a limit of 5% of the value of the Fund as determined by the preceding December 31 value. ETCF also holds funds for the benefit of the Alliance that come through third party donors and these funds are carried on the books of ETCF.

In May of 2023, the ETCF dissolved the endowment fund and distributed both the Alliance's original investment and beneficial interest to the Alliance in the amounts of \$26,078 and \$66,667, respectively.

NOTE C: MARKETABLE SECURITIES

The marketable securities are presented in the financial statements at fair value based on quoted prices in active markets (all Level 1 measurements). Market risk could occur and is dependent on the future changes in market prices of the various investments held. An analysis of the investments held as of December 31, 2023 is as follows:

Cost and fair market values as of December 31, 2023 are as follows:

Unrestricted:	Fair Value	Cost
Cash	\$ 84	\$ 84
Mutual funds	266,744	241,442
Principal growth annuity	246,495	186,018
	<u>\$ 513,323</u>	<u>\$ 427,544</u>

**ALZHEIMER'S ALLIANCE OF NORTHEAST TEXAS, INC. dba
ALZHEIMER'S ALLIANCE OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2023**

NOTE C: MARKETABLE SECURITIES (CONTINUED)

Investment income from these investments for the year ended December 31, 2023 is summarized as follows:

Interest and dividends	\$ 7,502
Advisory fees	(2,177)
Net realized and unrealized (losses)	32,538
Total unrestricted investment return	<u><u>\$ 37,863</u></u>

NOTE D: CONCENTRATION OF CREDIT RISK

The Alliance maintains its bank accounts in two financial institution located in Tyler, Texas. As of December 31, 2023, the combined bank balance of these accounts was \$440,599. The balances were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for each financial institution. The Alliance had no bank balances that were uninsured and not covered by pledged securities at December 31, 2023.

NOTE E: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2023 are available for the following uses:

Building fund	71,781
Total net assets with donor restrictions	<u><u>\$ 71,781</u></u>

NOTE F: DESIGNATION OF NET ASSETS

The Alliance's Board designated the following net assets without donor restrictions at December 31, 2023:

Money market account, board designated	175,442
Net assets without donor restrictions	1,609,925
Total net assets without donor restrictions	<u><u>\$ 1,785,367</u></u>

NOTE G: LIQUIDITY AND AVAILABILITY OF RESOURCES

As of December 31, 2023 the Alliance had \$969,898 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$456,575 and \$513,323 in marketable securities (fair value). Of this amount, \$71,781 is subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Alliance has a goal to maintain financial assets, which consist of cash and marketable securities to meet 60 days of normal operating expenses. The Alliance has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**ALZHEIMER'S ALLIANCE OF NORTHEAST TEXAS, INC. dba
ALZHEIMER'S ALLIANCE OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2023**

NOTE H: LONG TERM DEBT

Long-term debt consists of the following at December 31:

	<u>2023</u>
\$1,530,000 mortgage, payable in 47 monthly payments of \$9,197 with a rate of 3.5% until April 2026, then payable in 181 monthly payments with a rate of FHLB rate +0.25% adjusted every year. The note is to mature April 7, 2041. Note is collateralized by real property	\$ 1,124,563
Total long-term debt	<u>1,124,563</u>
Less: current portion	<u>72,179</u>
Long- Term Debt	<u>\$ 1,052,384</u>

The following table presents future principal requirements:

2024	\$ 72,179
2025	74,746
2026	77,404
2027	80,157
2028	83,008
Thereafter	<u>737,069</u>
	<u>\$ 1,124,563</u>

NOTE I: SUBSEQUENT EVENTS

The Alliance has evaluated subsequent events through May 13, 2024, the date which the financial statements were available to be issued.