

**ALZHEIMER'S DISEASE AND
RELATED DISORDERS ASSOCIATION,
GREATER ILLINOIS CHAPTER**

Financial Statements

June 30, 2007 and 2006

(With Independent Auditors' Report Thereon)



Independent Auditors' Report

Board of Directors
Alzheimer's Disease and Related Disorders Association, Greater Illinois Chapter
Skokie, Illinois

We have audited the accompanying statements of financial position of Alzheimer's Disease and Related Disorders Association, Greater Illinois Chapter (Alzheimer's) as of June 30, 2007 and 2006, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of Alzheimer's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 audits 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 Alzheimer's Disease and Related Disorders Association, Greater Illinois Chapter as of June 30, 2007 and 2006 and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Millikin Benning Kleckler + Kobischka, LLC

Rockford, Illinois
September 26, 2007

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,
GREATER ILLINOIS CHAPTER**

Statements of Financial Position

June 30, 2007 and 2006

	Assets	<u>2007</u>	<u>2006</u>
Current assets:			
Cash and cash equivalents	\$	721,012	1,201,125
Contributions receivable – current portion (net of allowance for uncollectible accounts of \$1,180 in 2007 and \$964 in 2006)		256,412	608,894
Due from National – shared revenue and joint venture, net		458,721	–
Prepaid expenses and other assets		<u>45,839</u>	<u>25,106</u>
Total current assets		1,481,984	1,835,125
Contributions receivable – long term portion (net of allowance for uncollectible accounts of \$3,154 in 2007 and \$2,692 in 2006)		47,869	100,122
Investments		1,020,691	881,696
Fixed assets and software, net		<u>69,600</u>	<u>19,585</u>
	\$	<u>2,620,144</u>	<u>2,836,528</u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable		43,488	24,137
Accrued payroll		5,423	6,985
Accrued compensated absences		70,449	59,737
Accrued expenses		21,799	21,055
Joint venture payable to National Alzheimer's Association		–	601,373
Capital lease obligation – current portion		<u>–</u>	<u>6,084</u>
Total current liabilities		141,159	719,371
Non-current liabilities –			
Joint venture payable to National Alzheimer's Association – less current portion		<u>–</u>	<u>100,122</u>
Total liabilities		<u>141,159</u>	<u>819,493</u>
Net assets:			
Unrestricted – undesignated		2,185,551	1,607,347
Temporarily restricted		<u>293,434</u>	<u>409,688</u>
Total net assets		<u>2,478,985</u>	<u>2,017,035</u>
	\$	<u>2,620,144</u>	<u>2,836,528</u>

See accompanying notes to financial statements.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,
GREATER ILLINOIS CHAPTER**

Statements of Activities

For the Years Ended June 30, 2007 and 2006

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Contributions and grants :						
Memorials and tributes	\$ 275,233	835	276,068	242,150	61,191	303,341
Corporations	61,097	26,949	88,046	91,893	–	91,893
Individuals	193,340	205,953	399,293	329,603	93,097	422,700
Bequests	101,956	25,000	126,956	1,737,665	762,766	2,500,431
Foundations	23,248	147,200	170,448	9,840	59,679	69,519
Donated services and materials	115,941	–	115,941	56,134	–	56,134
Shared contributions	719,570	167,649	887,219	(1,154,340)	(510,524)	(1,664,864)
Government grants	8,480	862,000	870,480	–	–	–
Total contributions and grants	<u>1,498,865</u>	<u>1,435,586</u>	<u>2,934,451</u>	<u>1,312,945</u>	<u>466,209</u>	<u>1,779,154</u>
Program services – education workshops	148,028	–	148,028	82,408	–	82,408
Interest and dividend income	87,614	–	87,614	54,598	–	54,598
Realized gains on investments	205,974	–	205,974	4,237	–	4,237
Unrealized gains (losses) on investments	(100,127)	–	(100,127)	16,343	–	16,343
Special events – gross receipts	1,411,880	123,283	1,535,163	1,226,337	90,675	1,317,012
Less special event expenses	(45,077)	–	(45,077)	(186,752)	–	(186,752)
Sales of books and materials	17,028	–	17,028	2,093	–	2,093
Miscellaneous	15,115	–	15,115	36,241	–	36,241
Total revenues	<u>3,239,300</u>	<u>1,558,869</u>	<u>4,798,169</u>	<u>2,548,450</u>	<u>556,884</u>	<u>3,105,334</u>
Net assets released from restrictions	<u>1,675,123</u>	<u>(1,675,123)</u>	<u>–</u>	<u>1,123,637</u>	<u>(1,123,637)</u>	<u>–</u>
Total revenues and net assets released from restrictions	<u>4,914,423</u>	<u>(116,254)</u>	<u>4,798,169</u>	<u>3,672,087</u>	<u>(566,753)</u>	<u>3,105,334</u>
Expenses:						
Program services:						
Patient and family services	1,463,062	–	1,463,062	866,271	–	866,271
Public awareness and education	1,824,565	–	1,824,565	1,255,161	–	1,255,161
Public policy	162,018	–	162,018	178,407	–	178,407
Total program services	<u>3,449,645</u>	<u>–</u>	<u>3,449,645</u>	<u>2,299,839</u>	<u>–</u>	<u>2,299,839</u>
Support services:						
Management and general	330,565	–	330,565	235,523	–	235,523
Fundraising	556,009	–	556,009	532,332	–	532,332
Total support services	<u>886,574</u>	<u>–</u>	<u>886,574</u>	<u>767,855</u>	<u>–</u>	<u>767,855</u>
Bad debts	–	–	–	313,717	–	313,717
Total expenses	<u>4,336,219</u>	<u>–</u>	<u>4,336,219</u>	<u>3,381,411</u>	<u>–</u>	<u>3,381,411</u>
Increase (decrease) in net assets	578,204	(116,254)	461,950	290,676	(566,753)	(276,077)
Net assets at beginning of year	<u>1,607,347</u>	<u>409,688</u>	<u>2,017,035</u>	<u>1,316,671</u>	<u>976,441</u>	<u>2,293,112</u>
Net assets at end of year	\$ <u>2,185,551</u>	<u>293,434</u>	<u>2,478,985</u>	<u>1,607,347</u>	<u>409,688</u>	<u>2,017,035</u>

See accompanying notes to financial statements.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,
GREATER ILLINOIS CHAPTER**

Statements of Cash Flows

For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash from contributions and special fundraising events	\$ 2,928,758	6,670,997
Cash from program services – education workshops	165,056	84,501
Due from National - shared revenue and joint venture	278,096	–
Shared contributions, net of expense recovery, under joint venture agreement	–	(1,664,864)
Government grants	870,480	–
Interest and dividends received	87,614	54,598
Miscellaneous receipts	<u>15,115</u>	<u>36,241</u>
Operating receipts	<u>4,345,119</u>	<u>5,181,473</u>
Cash paid to employees	2,338,841	2,378,092
Cash paid under revenue sharing and joint venture agreements	558,434	1,376,498
Cash paid to vendors	1,162,839	674,049
Grants paid	<u>698,735</u>	<u>1,245</u>
Operating disbursements	<u>4,758,849</u>	<u>4,429,884</u>
Net cash flows from operating activities	<u>(413,730)</u>	<u>751,589</u>
Cash flows from investing activities:		
Sale of investments	821,270	62,689
Purchase of investments	(819,532)	(38,837)
Sale of fixed assets	–	688
Purchase of fixed assets	<u>(62,037)</u>	<u>(14,030)</u>
Net cash flows from investing activities	<u>(60,299)</u>	<u>10,510</u>
Cash flows from financing activities – principal payments on capital lease obligation	<u>(6,084)</u>	<u>(6,084)</u>
Net increase (decrease) in cash and cash equivalents	(480,113)	756,015
Cash and cash equivalents – beginning of year	<u>1,201,125</u>	<u>445,110</u>
Cash and cash equivalents – end of year	\$ <u><u>721,012</u></u>	<u><u>1,201,125</u></u>

(continued)

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,
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Statements of Cash Flows (continued)

For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of change in net assets to cash flows from operating activities:		
Change in net assets	\$ 461,950	(276,077)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	12,022	53,915
Bad debts	-	313,717
Realized gains on investments	(205,974)	(4,237)
Unrealized gains on investments	100,127	(16,343)
Investments received by contribution	(34,886)	(33,894)
Increase/(decrease) in cash due to changes in:		
Contributions receivable	404,735	523,472
Prepaid expenses and other assets	(20,733)	2,503
Accounts payable	19,351	7,031
Accrued payroll and compensated absences	9,150	(19,128)
Accrued liabilities	744	21,055
Deferred revenue	-	(1,825)
Dues/research payable to National	-	(5,000)
Shared revenue/joint venture due to/from National	(1,160,216)	186,400
Total adjustments	(875,680)	1,027,666
Net cash flows from operating activities	\$ (413,730)	751,589

Supplemental cash flow information

Interest paid	\$ -	469
Disposal of fully depreciated fixed assets	75,266	-

See accompanying notes to financial statements.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,
GREATER ILLINOIS CHAPTER**

Statement of Functional Expenses

For the Year Ended June 30, 2007

	Patient and Family Services	Public Awareness/ Education	Public Policy	Total Program Services	Management and General	Fund Raising	Total Support Services	Total
Salaries and wages	\$ 441,789	900,443	69,989	1,412,221	160,772	286,151	446,923	1,859,144
Payroll taxes and other employee benefits	75,402	279,605	18,851	373,858	44,735	70,254	114,989	488,847
Accounting fees	5,341	6,677	1,335	13,353	3,815	1,908	5,723	19,076
Outside/contract labor	43,901	60,936	5,760	110,597	4,247	53,929	58,176	168,773
Office supplies	11,453	16,419	2,841	30,713	6,535	6,454	12,989	43,702
Telephone	14,520	17,622	3,709	35,851	9,813	4,907	14,720	50,571
Postage	8,918	20,503	1,356	30,777	750	14,761	15,511	46,288
Occupancy/utilities/insurance	89,571	111,526	22,305	223,402	63,454	33,172	96,626	320,028
Equipment rental and maintenance	9,052	11,316	2,263	22,631	6,403	3,540	9,943	32,574
Printing and publications/newsletter	7,705	69,262	1,965	78,932	2,867	15,275	18,142	97,074
Advertising/publicity/promotion	8,396	23,702	1,664	33,762	-	24,966	24,966	58,728
Books/library purchased from outside vendors	764	19,781	65	20,610	161	225	386	20,996
Conferences, conventions and meetings	10,907	91,304	2,436	104,647	6,338	6,437	12,775	117,422
Staff development – dues and subscriptions	4,653	8,426	2,691	15,770	1,588	2,353	3,941	19,711
Travel	19,928	59,544	20,346	99,818	8,850	13,694	22,544	122,362
Grants – specific assistance to individuals	-	5,735	-	5,735	-	-	-	5,735
Grants – adult day care services	693,000	-	-	693,000	-	-	-	693,000
Interest/bank charges	7,585	9,481	1,896	18,962	5,418	2,709	8,127	27,089
Miscellaneous	4,514	5,803	1,130	11,447	2,997	2,692	5,689	17,136
Donated services, materials and rent	2,646	102,709	662	106,017	-	9,924	9,924	115,941
Depreciation and amortization	3,017	3,771	754	7,542	1,822	2,658	4,480	12,022
	\$ 1,463,062	1,824,565	162,018	3,449,645	330,565	556,009	886,574	4,336,219

See accompanying notes to financial statements.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,
GREATER ILLINOIS CHAPTER**

Statement of Functional Expenses
For the Year Ended June 30, 2006

	Patient and Family Services	Public Awareness/ Education	Public Policy	Total Program Services	Management and General	Fund Raising	Total Support Services	Bad Debts	Total
Salaries and wages	\$ 497,262	727,682	97,596	1,322,540	64,053	469,362	533,415	-	1,855,955
Payroll taxes and other employee benefits	149,894	205,765	38,844	394,503	24,373	122,390	146,763	-	541,266
Accounting fees	-	-	-	-	19,200	-	19,200	-	19,200
Outside/contract labor	2,645	18,337	749	21,731	323	14,015	14,338	-	36,069
Office supplies	10,378	14,390	3,515	28,283	3,664	2,507	6,171	-	34,454
Telephone	13,238	17,536	4,717	35,491	5,534	3,230	8,764	-	44,255
Postage	6,011	11,272	497	17,780	73	2,593	2,666	-	20,446
Occupancy/utilities/insurance	64,638	66,596	9,308	140,542	94,112	41,206	135,318	-	275,860
Equipment rental and maintenance	8,561	11,508	2,823	22,892	3,669	2,444	6,113	-	29,005
Printing and publications/newsletter	10,443	43,944	706	55,093	441	1,222	1,663	-	56,756
Advertising/publicity/promotion	7,680	75	-	7,755	-	-	-	-	7,755
Books/library purchases	2,239	10,333	359	12,931	467	550	1,017	-	13,948
Conferences, conventions and meetings	47,003	8,561	1,053	56,617	1,367	737	2,104	-	58,721
Staff development – dues and subscriptions	2,054	6,057	1,089	9,200	668	2,400	3,068	-	12,268
Travel	13,980	26,398	9,825	50,203	3,588	7,322	10,910	-	61,113
Grants – specific assistance to individuals	1,245	-	-	1,245	-	-	-	-	1,245
Interest/bank charges	8,442	9,127	2,282	19,851	2,966	-	2,966	-	22,817
Miscellaneous	5,703	14,767	385	20,855	236	-	236	-	21,091
Donated services, materials and rent	-	42,126	-	42,126	4,733	-	4,733	-	46,859
Joint venture expense recovery	-	-	-	-	-	(145,304)	(145,304)	-	(145,304)
Depreciation and amortization	14,855	20,687	4,659	40,201	6,056	7,658	13,714	-	53,915
Bad debts	-	-	-	-	-	-	-	313,717	313,717
	<u>\$ 866,271</u>	<u>1,255,161</u>	<u>178,407</u>	<u>2,299,839</u>	<u>235,523</u>	<u>532,332</u>	<u>767,855</u>	<u>313,717</u>	<u>3,381,411</u>

See accompanying notes to financial statements.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,
GREATER ILLINOIS CHAPTER**

Notes to Financial Statements

June 30, 2007 and 2006

(1) Nature of Business and Significant Accounting Policies

(a) Organization

The Alzheimer's Disease and Related Disorders Association, Greater Illinois Chapter (Alzheimer's) is a separately incorporated nonprofit agency which is affiliated with Alzheimer's Disease and Related Disorders Association, Inc. (National). The geographic territory (Illinois) served by Alzheimer's has been authorized by National and includes 68 counties in Illinois with offices in Bloomington, Carterville, Chicago, Rockford, Skokie, Joliet and Springfield. Alzheimer's provides family services, funds research projects and provides education to the general public in coping with problems of those afflicted with Alzheimer's disease and related disorders.

(b) Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenue at their fair values in the earlier of the period received or in which the promise is made. Bequests are recognized as revenue upon receiving notification of a donor's death and the amount of the bequest. Conditional promises to give are recognized when they become unconditional; that is, when the conditions are substantially met. The receipt of donated assets, services requiring specialized skills, and materials are recorded at their estimated fair market value at time of donation.

When recognized, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence and nature of any restrictions stipulated by the donor. When a donor imposed restriction has been satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

An allowance for uncollectible accounts is maintained to reflect management's estimate of contributions receivable which will become uncollectible in the future.

(c) Expense Allocation

Costs are charged on a direct functional basis whenever practical. When direct charges cannot be determined, the costs are allocated on the basis of the estimated proportional use of the service provided or resource consumed.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,
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Notes to Financial Statements

(d) Cash and Cash Equivalents

For purposes of the statement of cash flows, Alzheimer's considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The carrying amount of deposits with banks and repurchase agreements was \$719,942 and the banks' balances totaled \$722,456 at June 30, 2007. Of this amount approximately \$619,000 was in excess of federal depository insurance limits.

(e) Investments

Investments are reported at market value with realized and unrealized gains and losses included in the statements of activities. Investments are exposed to potential risks including interest rate risk, credit risk and overall market volatility. Accordingly, it is reasonably possible that changes in the value of investments will occur in the near term and such changes could be material in amount.

(f) Fixed Assets and Software

Purchased fixed assets and software with a cost greater than \$500 are capitalized at cost. Donated items are capitalized upon receipt at their estimated fair value. Fixed assets are depreciated over their estimated useful lives using the straight-line method. Software is amortized over a three year period using the straight-line method. Alzheimer's records a full year's depreciation if the asset is acquired before January and a half year's depreciation if acquired after December.

(g) Income Taxes

Alzheimer's is a not-for-profit organization exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code as other than a private foundation.

(h) Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts in the financial statements. Actual results could differ from those estimates.

(i) Reclassifications

Certain 2006 items have been reclassified to conform to the 2007 presentation.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,
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Notes to Financial Statements

(2) Contributions Receivable

The contributions receivable at June 30, 2007 and 2006 from pledges and bequests are as follows:

	<u>2007</u>	<u>2006</u>
Due within one year	\$ 259,000	609,858
Due from one to five years	<u>61,800</u>	<u>109,716</u>
Total	320,800	719,574
Less discounts (at 3.1%) to present value	(12,185)	(6,902)
Less allowance for uncollectible accounts	<u>(4,334)</u>	<u>(3,656)</u>
Net contributions receivable	\$ <u>304,281</u>	<u>709,016</u>

(3) Investments

Investments consist of the following at June 30:

		<u>2007</u>		
		<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Equity securities	\$	638,863	782,611	143,748
Debt securities		193,533	197,744	4,211
Money market		36,683	36,683	-
Accrued interest and dividends		<u>3,653</u>	<u>3,653</u>	-
	\$	<u>872,732</u>	<u>1,020,691</u>	<u>147,959</u>
		<u>2006</u>		
		<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Equity securities	\$	463,777	623,874	160,097
Debt securities		177,372	181,317	3,945
Money market		72,793	72,793	-
Accrued interest and dividends		<u>3,712</u>	<u>3,712</u>	-
	\$	<u>717,654</u>	<u>881,696</u>	<u>164,042</u>

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,
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Notes to Financial Statements

(4) Fixed Assets and Software

Fixed assets and software consist of the following at June 30:

	<u>2007</u>	<u>2006</u>
Equipment	\$ 306,706	366,233
Furniture	68,340	48,293
Leasehold improvements	41,034	15,823
Software	<u>43,855</u>	<u>42,815</u>
	459,935	473,164
Less accumulated depreciation	<u>(390,335)</u>	<u>(453,579)</u>
	<u>\$ 69,600</u>	<u>19,585</u>

(5) In-Kind Donations

Alzheimer's received in-kind donations of certain skilled services and materials for the annual memory walk and educational events. These items were allocated by management as follows for the years ended June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Public awareness educational communications	\$ 103,600	42,126
Fund raising	12,341	9,275
Management and general	<u>—</u>	<u>4,733</u>
	<u>\$ 115,941</u>	<u>56,134</u>

(6) Operating Leases

Alzheimer's has entered into various non-cancelable operating lease agreements for the rental of office facilities and office equipment which expire at various dates through May 2012. Rent expense related to these leases for the years ended June 30, 2007 and 2006 was \$259,733 and \$224,056, respectively. Future minimum annual rentals for leases executed as of June 30, 2007 are as follows:

		<u>Year ending June 30</u>	
2008	\$ 238,848	2011	\$ 73,275
2009	104,717	2012	37,251
2010	80,637		

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Notes to Financial Statements

(7) Retirement Plan

Alzheimer's sponsors a retirement plan under the provisions of Internal Revenue Code Section 403(b). This plan allows employees, through payroll deduction, to contribute a portion of their salary to the plan. The plan also allows matching and other employer contributions. Contributions for the years ended June 30, 2007 and 2006 were \$120,773 and \$130,505, respectively.

(8) Temporarily Restricted Net Assets

The temporarily restricted net assets as of June 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
<u>Restricted as to time</u>		
Contributions receivable – shared revenue		
and joint venture agreements	\$ 283,481	656,715
Less portion allocable to National	<u>(194,607)</u>	<u>(426,865)</u>
	88,874	229,850
Contributions receivable – other	20,800	52,301
<u>Restricted as to purpose</u>		
Memory Walk	123,283	90,675
Outreach coordinator	–	18,862
Needs Assessment	15,000	15,000
Advocates Day	3,000	3,000
Hispanic Outreach	15,477	–
Board Development	2,000	–
Chapter Public Policy	<u>25,000</u>	<u>–</u>
	<u>\$ 293,434</u>	<u>409,688</u>

(9) Fundraising Agreements

Effective July 1, 2006 Alzheimer's entered into a revenue sharing agreement with Alzheimer's Disease and Related Disorders Association, Inc. (National) which applies to contributions received by each organization in the geographic territory described in Note 1. The agreement specifies how contributions received by either party will be shared with the other. The revenue sharing agreement replaced a joint venture with National to conduct coordinated fundraising activities which had been effect since July 1, 2004.

Under the agreements Alzheimer's had a net receivable of \$458,721 from National at June 30, 2007 and a net payable to National of \$701,495 at June 30, 2006.

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Notes to Financial Statements

(10) Commitments

Alzheimer's has committed to move its main office from Skokie, IL to Chicago, IL during the year ending June 30, 2008. The estimated budget for furnishing the new office and other move related costs is \$350,000.

Subsequent to June 30, 2007, Alzheimer's entered into a ten year lease for the new Chicago office which commences November 1, 2007. The rent for the first year of the lease is approximately \$11,300 per month with annual increases of approximately 3%. Alzheimer's will also be obligated to pay utilities and their proportionate share of common costs. In lieu of a security deposit, Alzheimer's has arranged for an irrevocable letter of credit in the initial amount of \$280,000 in favor of the landlord. The amount of the irrevocable letter of credit will be reduced each year on November 1, through November 1, 2011, at which time it will be \$56,000 for the remainder of the lease.