

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

Financial Statements

June 30, 2008 and 2007

(With Independent Auditors' Report Thereon)



6815 Weaver Road, Suite 100 • Rockford, Illinois 61114-8018

Members of American Institute of
Certified Public Accountants &
Illinois CPA Society

Independent Auditors' Report

Board of Directors
Alzheimer's Disease and Related Disorders Association, Greater Illinois Chapter
Chicago, 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, 2008 and 2007, 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, 2008 and 2007 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.

A handwritten signature in black ink that reads 'Sikich LLP' in a cursive, flowing script.

Rockford, Illinois
September 16, 2008

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

Statements of Financial Position

June 30, 2008 and 2007

	Assets	<u>2008</u>	<u>2007</u>
Current assets:			
Cash and cash equivalents	\$	825,098	721,012
Contributions receivable – current portion		337,159	256,412
Due from National		484,137	458,721
Grant receivable		21,435	–
Prepaid expenses and other assets		<u>98,481</u>	<u>45,839</u>
Total current assets		1,766,310	1,481,984
Cash and cash equivalents – restricted		280,000	–
Contributions receivable – long term portion		17,985	47,869
Investments		940,357	1,020,691
Fixed assets and software, net		<u>338,472</u>	<u>69,600</u>
	\$	<u><u>3,343,124</u></u>	<u><u>2,620,144</u></u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable		27,319	43,488
Accrued expenses		238,902	97,671
Capital lease obligation – current portion		<u>52,061</u>	<u>–</u>
Total current liabilities		318,282	141,159
Non-current liabilities –			
Capital lease – less current portion		<u>78,886</u>	<u>–</u>
Total liabilities		<u><u>397,168</u></u>	<u><u>141,159</u></u>
Net assets:			
Unrestricted – undesignated		1,935,583	2,185,551
Temporarily restricted		<u>1,010,373</u>	<u>293,434</u>
Total net assets		<u><u>2,945,956</u></u>	<u><u>2,478,985</u></u>
	\$	<u><u>3,343,124</u></u>	<u><u>2,620,144</u></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, 2008 and 2007

	2008			2007		
	Unrestricted	Temporarily		Unrestricted	Temporarily	
		Restricted	Total		Restricted	Total
Revenues:						
Contributions and grants :						
Memorials and tributes	\$ 251,130	-	251,130	275,233	835	276,068
Corporations	199,013	44,076	243,089	61,097	26,949	88,046
Individuals	232,936	24,333	257,269	193,340	205,953	399,293
Bequests	194,844	-	194,844	101,956	25,000	126,956
Foundations	3,000	109,000	112,000	23,248	147,200	170,448
Donated services and materials	105,636	-	105,636	115,941	-	115,941
Shared contributions	268,714	111,000	379,714	719,570	167,649	887,219
Government grants	9,420	975,434	984,854	8,480	862,000	870,480
Total contributions and grants	<u>1,264,693</u>	<u>1,263,843</u>	<u>2,528,536</u>	<u>1,498,865</u>	<u>1,435,586</u>	<u>2,934,451</u>
Program services – education workshops	150,542	-	150,542	148,028	-	148,028
Interest and dividend income	78,058	-	78,058	87,614	-	87,614
Realized gains on investments	71,530	-	71,530	205,974	-	205,974
Unrealized losses on investments	(197,585)	-	(197,585)	(100,127)	-	(100,127)
Special events – gross receipts	1,998,773	112,158	2,110,931	1,411,880	123,283	1,535,163
Less special event expenses	(250,004)	-	(250,004)	(45,077)	-	(45,077)
Sales of books and materials	3,719	-	3,719	17,028	-	17,028
Miscellaneous	16,183	-	16,183	15,115	-	15,115
Total revenues	<u>3,135,909</u>	<u>1,376,001</u>	<u>4,511,910</u>	<u>3,239,300</u>	<u>1,558,869</u>	<u>4,798,169</u>
Net assets released from restrictions	<u>659,062</u>	<u>(659,062)</u>	<u>-</u>	<u>1,675,123</u>	<u>(1,675,123)</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>3,794,971</u>	<u>716,939</u>	<u>4,511,910</u>	<u>4,914,423</u>	<u>(116,254)</u>	<u>4,798,169</u>
Expenses:						
Program services:						
Patient and family services	1,124,715	-	1,124,715	1,463,062	-	1,463,062
Public awareness and education	1,843,094	-	1,843,094	1,824,565	-	1,824,565
Public policy	208,306	-	208,306	162,018	-	162,018
Total program services	<u>3,176,115</u>	<u>-</u>	<u>3,176,115</u>	<u>3,449,645</u>	<u>-</u>	<u>3,449,645</u>
Support services:						
Management and general	389,828	-	389,828	330,565	-	330,565
Fundraising	478,996	-	478,996	556,009	-	556,009
Total support services	<u>868,824</u>	<u>-</u>	<u>868,824</u>	<u>886,574</u>	<u>-</u>	<u>886,574</u>
Total expenses	<u>4,044,939</u>	<u>-</u>	<u>4,044,939</u>	<u>4,336,219</u>	<u>-</u>	<u>4,336,219</u>
Increase (decrease) in net assets	(249,968)	716,939	466,971	578,204	(116,254)	461,950
Net assets at beginning 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>
Net assets at end of year	<u>\$ 1,935,583</u>	<u>1,010,373</u>	<u>2,945,956</u>	<u>2,185,551</u>	<u>293,434</u>	<u>2,478,985</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, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Cash from contributions and special fundraising events	\$ 2,832,794	2,928,758
Cash from program services – education workshops	154,261	165,056
Due from National	651,705	278,096
Government grants	984,854	870,480
Interest and dividends received	78,059	87,614
Miscellaneous receipts	16,483	15,115
Operating receipts	4,718,156	4,345,119
Cash paid to employees	2,723,161	2,338,841
Cash paid under revenue sharing and joint venture agreements	297,630	558,434
Cash paid to vendors	1,036,270	1,162,839
Grants paid	31,893	698,735
Operating disbursements	4,088,954	4,758,849
Net cash flows from operating activities	629,202	(413,730)
Cash flows from investing activities:		
Sale of investments	789,970	821,270
Purchase of investments	(821,259)	(819,532)
Receipt of lease build out allowance	430,802	–
Purchase of fixed assets	(615,570)	(62,037)
Net cash flows from investing activities	(216,057)	(60,299)
Cash flows from financing activities:		
Principal payments on capital lease obligation	(29,059)	(6,084)
Net increase (decrease) in cash and cash equivalents	384,086	(480,113)
Cash and cash equivalents – beginning of year	721,012	1,201,125
Cash and cash equivalents – end of year	\$ 1,105,098	721,012

(continued)

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

For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Reconciliation of change in net assets to cash flows from operating activities:		
Change in net assets	\$ 466,971	461,950
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	75,902	12,022
Realized gains on investments	(71,530)	(205,974)
Unrealized losses on investments	197,585	100,127
Investments received by contribution	(14,432)	(34,886)
Increase/(decrease) in cash due to changes in:		
Contributions receivable	(50,863)	404,735
Grant receivable	(21,435)	-
Prepaid expenses and other assets	(52,642)	(20,733)
Accounts payable	(16,169)	19,351
Accrued expenses	141,231	9,894
Due from National	<u>(25,416)</u>	<u>(1,160,216)</u>
Total adjustments	<u>162,231</u>	<u>(875,680)</u>
Net cash flows from operating activities	\$ <u>629,202</u>	<u>(413,730)</u>
Supplemental cash flow information		
Interest paid on capital lease obligation	\$ <u>4,797</u>	<u>-</u>
Disposal of fully depreciated fixed assets	<u>303,028</u>	<u>75,266</u>
Fixed assets acquired – financed by capital lease	\$ <u>160,006</u>	<u>-</u>

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, 2008

	Patient and Family Services	Public Awareness/Education	Public Policy	Total Program Services	Management and General	Fund Raising	Total Support Services
Salaries and wages	\$ 620,542	980,987	85,338	1,686,867	171,492	299,501	470,993
Payroll taxes and other employee benefits	172,892	273,317	23,776	469,985	47,780	83,445	131,225
Accounting fees	4,995	6,244	1,249	12,488	3,568	1,784	5,352
Outside/contract labor	7,141	16,442	2,293	25,876	871	1,821	2,692
Office supplies	14,146	20,215	4,722	39,083	7,977	4,330	12,307
Telephone	23,164	28,677	5,735	57,576	16,321	8,160	24,481
Postage	6,189	23,607	995	30,791	1,070	1,096	2,166
Occupancy/utilities/insurance	115,864	144,392	28,878	289,134	82,291	41,910	124,201
Equipment rental and maintenance	14,199	17,748	3,550	35,497	10,141	5,071	15,212
Printing and publications/newsletter	6,049	32,812	2,603	41,464	3,421	1,711	5,132
Advertising/publicity/promotion	859	27,059	104	28,022	10	295	305
Books/library purchases	2,408	6,119	1,037	9,564	608	381	989
Conferences, conventions and meetings	10,674	100,717	3,103	114,494	7,219	3,644	10,863
Staff development – dues and subscriptions	8,110	12,659	2,594	23,363	2,758	2,735	5,493
Travel	29,175	46,649	24,498	100,322	9,230	10,578	19,808
Grants – specific assistance to individuals	15,581	16,292	20	31,893	–	–	–
Interest/bank charges	10,312	12,890	2,578	25,780	7,365	3,682	11,047
Miscellaneous	5,064	4,896	959	10,919	2,576	1,287	3,863
Donated services, materials and rent	35,916	44,895	8,979	89,790	–	–	–
Depreciation and amortization	21,435	26,477	5,295	53,207	15,130	7,565	22,695
	<u>\$ 1,124,715</u>	<u>1,843,094</u>	<u>208,306</u>	<u>3,176,115</u>	<u>389,828</u>	<u>478,996</u>	<u>868,824</u>
							<u>4,044,939</u>

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
	<u>\$ 1,463,062</u>	<u>1,824,565</u>	<u>162,018</u>	<u>3,449,645</u>	<u>330,565</u>	<u>556,009</u>	<u>886,574</u>	<u>4,336,219</u>

See accompanying notes to financial statements.

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

June 30, 2008 and 2007

(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 served by Alzheimer's has been authorized by National and includes 68 counties in Illinois with offices in Bloomington, Carterville, Chicago, Rockford, 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 \$1,103,997 and the banks' balances totaled \$1,180,528 at June 30, 2008. Of this amount approximately \$1,075,000 was in excess of federal depository insurance limits. Cash and cash equivalents totaling \$280,000 are required to remain on deposit as collateral for a letter of credit.

(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.

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

(2) Contributions Receivable

The contributions receivable at June 30, 2008 and 2007 from pledges and bequests are as follows:

	2008	2007
Due within one year	\$ 338,305	259,000
Due from one to five years	<u>25,000</u>	<u>61,800</u>
Total	363,305	320,800
Less discounts to present value	(5,959)	(12,185)
Less allowance for uncollectible accounts	<u>(2,202)</u>	<u>(4,334)</u>
Net contributions receivable	\$ <u>355,144</u>	<u>304,281</u>

(3) Investments

Investments consist of the following at June 30:

		2008		
		Cost	Market Value	Unrealized Gain(Loss)
Equity securities	\$	542,334	534,784	(7,550)
Debt securities		243,876	244,911	1,035
Money market		158,134	158,134	-
Accrued interest and dividends		<u>2,528</u>	<u>2,528</u>	-
	\$	<u>946,872</u>	<u>940,357</u>	<u>(6,515)</u>
		2007		
		Cost	Market Value	Unrealized Gain
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>

**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:

	2008	2007
Equipment	\$ 229,238	306,706
Furniture	134,100	68,340
Leasehold improvements	134,838	41,034
Software	3,505	43,855
	501,681	459,935
Less accumulated depreciation	(163,209)	(390,335)
	\$ 338,472	69,600

(5) In-Kind Donations

Alzheimer's received in-kind donations of certain skilled services and materials for the annual Memory Walks and educational events. These items were allocated by management as follows for the years ended June 30, 2008 and 2007:

	2008	2007
Public awareness educational communications	\$ 102,236	103,600
Fund raising	3,440	12,341
	\$ 105,676	115,941

(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 October 2017. Rent expense related to these leases for the years ended June 30, 2008 and 2007 was \$346,829 and \$259,733, respectively. Future minimum annual rentals for leases executed as of June 30, 2008 are as follows:

Year ending June 30					
2009	\$	251,526	2012	\$	180,909
2010		227,446	2013		146,809
2011		220,084	Beyond		636,172

In lieu of making a security deposit for the Chicago office space, Alzheimer's granted an unconditional irrevocable letter of credit to the lessor in the amount of \$280,000 which expires in July 2009. There have been no draws on the credit as of June 30, 2008.

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

(7) Capital Lease

Alzheimer's has a capital lease agreement with a financing company for office furniture and other equipment. This agreement requires monthly payments of \$4,837, including interest at 4.66%, through November 2010. Future scheduled principal payments under the terms of this agreement as of June 30, 2008 are as follows:

<u>Year ending June 30</u>	
2009	\$ 52,061
2010	55,036
2011	23,850

(8) 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, 2008 and 2007 were \$132,974 and \$120,773, respectively.

(9) Temporarily Restricted Net Assets

The temporarily restricted net assets as of June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
<u>Restricted as to time:</u>		
Contributions receivable – shared revenue and joint venture agreements	\$ 307,805	283,481
Less portion allocable to National	<u>(167,485)</u>	<u>(194,607)</u>
	140,320	88,874
Contributions receivable – other	4,319	20,800
<u>Restricted as to purpose:</u>		
Chapter programs	628,188	–
Memory Walk	68,956	123,283
Contribution receivable – Memory Walk	43,202	–
IDEAS	81,034	–
Helpline	25,000	–
Needs assessment	15,000	15,000
Advocates Day	–	3,000
African American outreach	4,354	–
Hispanic outreach	–	15,477
Board development	–	2,000
Chapter public policy	–	25,000
	<u>\$ 1,010,373</u>	<u>293,434</u>

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

(10) Fundraising Agreements

Effective July 1, 2006, Alzheimer's entered into a revenue sharing agreement with 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.

Alzheimer's had a net revenue sharing receivable from National of \$484,137 and \$458,721 at June 30, 2008 and 2007, respectively.

(11) Commitment

In April 2008, Alzheimer's entered into an agreement to update the air conditioning unit in their computer server room for approximately \$50,000. In August 2008, Alzheimer's made an initial payment of approximately \$33,500 towards this purchase.