

**Alzheimer's Association,
Northern California and
Northern Nevada**

Financial Report

June 30, 2009

(With Comparative Totals for 2008)

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Audit Committee and Board of Directors
Alzheimer's Association,
Northern California and Northern Nevada
Mountain View, California

Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

San Francisco
Palo Alto
San Jose
St. Helena

We have audited the accompanying statement of financial position of Alzheimer's Association, Northern California and Northern Nevada (the Association) as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Association's 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 Association's June 30, 2008 financial statements and, in our report dated September 29, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 provides 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 Association, Northern California and Northern Nevada as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2009, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Frank, Rimmerman & Co LLP

October 1, 2009

Alzheimer's Association, Northern California and Northern Nevada
Statement of Financial Position
June 30, 2009 (With Comparative Totals for 2008)

	ASSETS	
	2009	2008
Current Assets		
Cash and cash equivalents	\$ 2,034,970	\$ 1,147,522
Contributions receivable, net	2,445,166	1,708,339
Accounts receivable	111,239	63,816
Investments	22,945	22,466
Prepaid expenses and other	146,685	173,159
Total current assets	4,761,005	3,115,302
Contributions Receivable, net	874,728	561,099
Property and Equipment, net	230,118	295,397
Investments	196,354	231,483
Deposits	26,594	27,994
Total assets	\$ 6,088,799	\$ 4,231,275
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 337,911	\$ 475,780
Due to Alzheimer's Disease and Related Disorders Association, Inc. (National), net	2,053,878	291,699
Deferred support and revenue	30,913	19,883
Capital lease obligations, current portion	45,756	45,756
Total current liabilities	2,468,458	833,118
Deferred Rent	16,630	16,630
Capital Lease Obligations, net of current portion	106,763	152,519
Total liabilities	2,591,851	1,002,267
Commitments (Notes 1 and 9)		
Net Assets		
Unrestricted	1,912,994	1,878,932
Temporarily restricted	1,430,033	1,175,447
Permanently restricted	153,921	174,629
Total net assets	3,496,948	3,229,008
Total liabilities and net assets	\$ 6,088,799	\$ 4,231,275

See Notes to Financial Statements

Alzheimer's Association, Northern California and Northern Nevada
Statement of Activities
Year Ended June 30, 2009 (With Comparative Totals for 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	Total 2008
Public Support and Revenue					
Contributions:					
Individuals	\$ 2,976,714	\$ 2,650,747	\$ -	\$ 5,627,461	\$ 4,528,101
Memorials	148,449	3,530	-	151,979	163,595
Foundation grants	116,909	213,855	-	330,764	400,465
In-kind contributions	6,487	-	-	6,487	8,674
Decrease in revenue under Shared Fundraising Agreement with National	(315,298)	(2,302,151)	-	(2,617,449)	(1,338,288)
Grants:					
Corporate grants	21,054	82,769	-	103,823	117,986
Other grants	675,729	-	-	675,729	572,280
Grants from National	-	-	-	-	2,341
Special events	2,463,683	10,000	-	2,473,683	2,334,926
Total public support	6,093,727	658,750	-	6,752,477	6,790,080
Revenue:					
Program service fees	199,743	-	-	199,743	158,286
Interest and dividends	13,818	5,166	-	18,984	53,341
Other income (expense)	70,474	-	(20,708)	49,766	90,233
Total revenue	284,035	5,166	(20,708)	268,493	301,860
Net assets released from restrictions	409,330	(409,330)	-	-	-
Total public support and revenue	6,787,092	254,586	(20,708)	7,020,970	7,091,940
Expenses					
Program services:					
Education	1,877,705	-	-	1,877,705	1,810,341
Patient and family services	3,269,596	-	-	3,269,596	3,092,506
Public policy	209,914	-	-	209,914	242,000
Research	14,879	-	-	14,879	11,818
	5,372,094	-	-	5,372,094	5,156,665
Management and general	345,984	-	-	345,984	390,575
Fundraising	1,034,952	-	-	1,034,952	999,206
Total expenses	6,753,030	-	-	6,753,030	6,546,446
Change in Net Assets	34,062	254,586	(20,708)	267,940	545,494
Net Assets, beginning of year	1,878,932	1,175,447	174,629	3,229,008	2,683,514
Net Assets, end of year	\$ 1,912,994	\$ 1,430,033	\$ 153,921	\$ 3,496,948	\$ 3,229,008

See Notes to Financial Statements

Alzheimer's Association, Northern California and Northern Nevada
Statement of Functional Expenses
Year Ended June 30, 2009 (With Comparative Totals for 2008)

	Program Services				Support Services		Total 2009	Total 2008
	Education	Patient and Family Services	Public Policy	Research	Management and General	Fundraising		
Direct Expenses:								
Salaries	\$ 908,292	\$ 1,798,866	\$ 103,578	\$ 1,971	\$ 147,423	\$ 530,723	\$ 3,490,853	\$ 3,243,326
Benefits	129,609	256,691	14,780	281	21,037	75,732	498,130	448,743
Payroll taxes	76,807	152,116	8,759	167	12,466	44,879	295,194	256,239
Professional fees	53,433	160,928	-	-	12,289	63,919	290,569	342,248
Distributed materials	6,938	940	33	-	91	2,426	10,428	7,013
Office supplies	37,390	48,902	862	106	17,701	8,973	113,934	110,576
Telephone	49,356	64,551	1,138	140	23,366	11,845	150,396	156,452
Postage and delivery	35,420	46,325	817	100	16,769	8,500	107,931	110,733
Occupancy	128,418	254,331	14,644	279	20,843	75,036	493,551	499,546
Repairs and maintenance	36,903	73,085	4,208	80	5,990	21,562	141,828	141,435
Insurance	765	11,016	-	-	8,875	1,840	22,496	24,856
Printing and publications	205,726	27,884	986	-	2,692	71,934	309,222	345,175
Promotional materials	67,145	9,101	322	-	879	23,478	100,925	82,721
Staff and volunteer	3,716	2,434	745	103	517	2,723	10,238	20,336
Travel and conferences	69,640	45,626	13,968	1,926	9,694	51,035	191,889	227,243
Dues to California Council	-	-	45,074	-	-	-	45,074	43,245
Bad debts	-	-	-	-	31,613	-	31,613	74,807
Miscellaneous	22,078	35,068	-	-	3,476	38,039	98,661	95,925
Specific assistance	46,069	227,969	-	9,726	-	-	283,764	247,843
Total direct expenses	1,877,705	3,215,833	209,914	14,879	335,721	1,032,644	6,686,696	6,478,462
Depreciation and Amortization	-	53,763	-	-	10,263	2,308	66,334	67,984
Total expenses	\$ 1,877,705	\$ 3,269,596	\$ 209,914	\$ 14,879	\$ 345,984	\$ 1,034,952	\$ 6,753,030	\$ 6,546,446

See Notes to Financial Statements

Alzheimer's Association, Northern California and Northern Nevada
Statement of Cash Flows
Year Ended June 30, 2009 (With Comparative Totals for 2008)

	2009	2008
Cash Flows from Operating Activities		
Cash received from donors and grantors	\$ 8,272,048	\$ 6,976,237
Cash received from other sources	303,143	301,860
Cash paid to employees and suppliers	(6,787,061)	(6,403,127)
Cash paid to Alzheimer's Disease and Related Disorders Association, Inc., net	(855,271)	(1,001,974)
Net cash provided by (used in) operating activities	<u>932,859</u>	<u>(127,004)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(1,055)	(70,262)
Deposits	1,400	-
Purchase of investments	-	(768)
Net cash provided by (used in) investing activities	<u>345</u>	<u>(71,030)</u>
Cash Flows from Financing Activities		
Repayment of capital lease obligations	(45,756)	(30,504)
Proceeds from financing of property and equipment purchased in 2007 under capital lease obligations	-	120,487
Net cash provided by (used in) financing activities	<u>(45,756)</u>	<u>89,983</u>
Net Increase (Decrease) in Cash and Cash Equivalents	887,448	(108,051)
Cash and Cash Equivalents, beginning of year	1,147,522	1,255,573
Cash and Cash Equivalents, end of year	<u>\$ 2,034,970</u>	<u>\$ 1,147,522</u>
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Cash Flows from Operating Activities		
Change in net assets	\$ 267,940	\$ 545,494
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	66,334	67,984
Change in allowance for doubtful accounts for contributions receivable	46,836	109,455
Change in discount on contributions receivable	146,680	32,831
Net unrealized loss on investments	34,650	-
Changes in operating assets and liabilities:		
Contributions receivable	(1,243,972)	(1,364,423)
Accounts receivable	(47,423)	76,087
Prepaid expenses and other current assets	26,474	16,768
Accounts payable and accrued expenses	(137,869)	31,627
Deferred support and revenue	11,030	10,310
Due to Alzheimer's Disease and Related Disorders Association, Inc., net	1,762,179	330,233
Deferred rent	-	16,630
Net cash provided by (used in) operating activities	<u>\$ 932,859</u>	<u>\$ (127,004)</u>

(continued)

Alzheimer's Association, Northern California and Northern Nevada
Statement of Cash Flows (continued)
Year Ended June 30, 2009 (With Comparative Totals for 2008)

	<u>2009</u>	<u>2008</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 9,100</u>	<u>\$ 6,200</u>
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Financing of property and equipment under capital lease obligations	<u>\$ -</u>	<u>\$ 108,292</u>

See Notes to Financial Statements

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**

1. Organization

Alzheimer's Association, Northern California and Northern Nevada (the Association), a nonprofit public benefit corporation, is a member chapter of Alzheimer's Disease and Related Disorders Association, Inc. (National).

The Association has offices in Mountain View, Lafayette, Santa Cruz, Monterey, San Rafael, Santa Rosa, Sacramento, and Chico, California and in Reno, Nevada. The Association provides information, guidance and support to individuals afflicted with Alzheimer's disease, or related brain disorders, and to the families of those so afflicted. The Association maintains a toll-free information and referral service, offers free educational materials, coordinates support groups for caregivers, and publishes a newsletter.

The Association and National have a Shared Fundraising Agreement (the Fundraising Agreement). The Fundraising Agreement is designed to coordinate and unify fundraising efforts by means of direct marketing, planned gifts, major gifts, corporate and foundation relations, general development and special events in Northern California and Northern Nevada. Under the Fundraising Agreement, the Association and National allocate percentages of shared revenues, as defined, among the Association, National and the Mission Fund, based on percentages contained in the Fundraising Agreement. The Mission Fund was established as part of the Fundraising Agreement to benefit National and all of its chapters, as a whole. Gifts restricted for a specific purpose are recognized as revenue by the party fulfilling the restriction and are not shared revenues. Under the terms of the Fundraising Agreement, the Association is not required to pay dues to National. The Fundraising Agreement has a termination date of July 1, 2012, unless terminated by either party on June 30, 2010 or June 30, 2011, upon at least six months prior written notice.

Effective July 1, 2009, the Association assumed responsibility for the operations and reporting of the Alzheimer's Disease and Related Disorders Association – California Council (the Council) from another California chapter of National. The Council is a nonprofit membership organization whose members consist of the Association and other California chapters. The Council promotes public policy at the State level and supports both local and national public policy activities that impact Californians with Alzheimer's disease or related disorders. The Council's operations are funded primarily by chapter dues and grants from National.

Subsequent events have been evaluated through the report date.

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**

2. Significant Accounting Policies

Basis of Presentation:

The Association prepares its financial statements in accordance with provisions of Statement of Financial Accounting Standards (SFAS) No. 117 (SFAS 117), *Financial Statements of Not-for-Profit Organizations*. SFAS 117 requires not-for-profit organizations to segregate their assets, liabilities, and operations into three categories: unrestricted, temporarily restricted and permanently restricted.

The Association's net assets and changes therein are classified and reported as follows:

Unrestricted net assets consist of net assets for which there are no donor-imposed restrictions or such donor-imposed restrictions were temporary and expired during the current or previous years. Unrestricted net assets may include those expendable resources that have been designated for special use by the Board of Directors (none at June 30, 2009 and 2008).

Temporarily restricted net assets consist of contributions received that are restricted for specific purposes or for subsequent periods. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Temporarily restricted net assets consist of cash and cash equivalents and receivables.

Permanently restricted net assets consist of all contributions received from donors that are subject to restrictions requiring the funds to be maintained permanently for the purpose of producing support for the Association. Income from these assets is recorded as unrestricted net assets unless otherwise restricted by donor stipulations. Permanently restricted net assets consist of endowment investments to be held in perpetuity.

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**

2. Significant Accounting Policies (continued)

Revenue Recognition:

The Association accounts for contributions and promises to give in accordance with provisions of SFAS No. 116 (SFAS 116), *Accounting for Contributions Received and Contributions Made*. SFAS 116 requires that contributions received, including unconditional promises to give (pledges), be recognized as revenue at their fair value in the period the contribution or pledge is made. SFAS 116 also requires not-for-profit organizations to distinguish among contributions that increase any of the three categories of net assets, with recognition being made of the expiration of donor-imposed restrictions in the period in which the restrictions expire. Contributions to be received from estates or trusts are recorded in the period in which sufficient information is provided to the Association to reasonably estimate future cash flows. Contributions to be received after one year are reflected at the present value of estimated future cash flows.

Amounts received for services or events not yet provided is classified as deferred support and revenue, and is recognized in the period in which the service is provided or the event takes place.

Cash Equivalents:

For purposes of the Statement of Cash Flows, cash and cash equivalents includes all short-term, highly liquid investments purchased with a remaining maturity of three months or less.

Investments:

Investments in marketable securities are reported at fair value. Unrealized gains and losses are included in other income. Income and gains on restricted investments are reported as increases in unrestricted net assets unless otherwise restricted by the donor.

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**

2. Significant Accounting Policies (continued)

Property and Equipment:

The Association capitalizes property and equipment acquisitions over \$1,000. Expenditures that increase the life of existing assets are capitalized. Repairs and maintenance are charged to operations as incurred. Purchased or constructed assets are recorded at cost. Donated assets are recorded as contributions at their estimated fair value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to seven years. Leasehold improvements are amortized over the lesser of the related lease term or the estimated useful lives of the assets. The Association does not record depreciation on construction in progress until the assets are placed in service. The Association reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of assets may not be recoverable.

Income Taxes:

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and State franchise taxes under Section 23701d of the California Revenue and Taxation Code.

Donated Services:

Donated services are recognized as contributions at their fair value, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by individuals possessing those skills, and would otherwise be purchased by the Association if not provided by donations.

A substantial number of volunteers have donated significant amounts of time and perform a variety of tasks related to the Association's program operations and fund-raising campaigns that do not meet the criteria for recognition as donated services. Accordingly, no amounts have been recognized for these services in the accompanying financial statements.

Special Events:

During 2009, the Association recognized \$2,473,683 in revenue from fund raising events (\$2,334,926 in 2008), of which \$2,286,116 was raised from the Memory Walk (\$2,163,220 in 2008). Special events represented 35% of total public support and revenue (33% in 2008). Costs related to these special events are included in fundraising expenses.

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**

2. Significant Accounting Policies (continued)

Functional Expenses:

The costs of providing the Association's various programs and services have been summarized on a functional basis in the Statement of Functional Expenses. Directly identifiable expenses are charged to the related program or service benefited. Indirect expenses are allocated to programs and services based principally on the percentage of personnel time spent in each area.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Concentration of Credit Risk:

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The Association maintains its cash accounts at various commercial banks and financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures cash on deposit at each bank up to \$250,000. The Association's cash balances have exceeded the federally insured limits from time to time.

The Association periodically evaluates the collectibility of its receivables and provides an allowance for potential credit losses, as needed. Historically, credit losses from uncollected receivables have not been significant. The allowance for doubtful accounts of \$185,878 at June 30, 2009 includes \$135,878, which was established under the terms of the Fundraising Agreement (the allowance of \$139,042 at June 30, 2008 included \$89,042, which was established under the terms of the Fundraising Agreement).

Reclassifications:

Certain reclassifications have been made to prior period balances to conform with current period presentation.

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**

2. Significant Accounting Policies (continued)

Comparative Financial Information:

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Recent Accounting Pronouncement:

In July 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which interprets SFAS No. 109, *Accounting for Income Taxes*. FIN 48 applies to financial statements of non-public entities, including entities that are tax exempt, that are issued for fiscal years beginning after December 15, 2008. The Association believes FIN 48 will not impact its future financial statements.

3. Contributions Receivable

Contributions receivable are recorded at net realizable value calculated using discount rates of 3% to 5% per annum. Contributions receivable consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Research contributions	\$ 1,300,000	\$ 1,000,000
Other public support	<u>2,466,991</u>	<u>1,523,019</u>
	3,766,991	2,523,019
Less discount to net present value	(261,219)	(114,539)
Less allowance for doubtful accounts	<u>(185,878)</u>	<u>(139,042)</u>
Net contributions receivable	<u>\$ 3,319,894</u>	<u>\$ 2,269,438</u>
Amounts receivable in:		
Less than one year	\$ 2,566,991	\$ 1,923,019
One to five years	800,000	600,000
Thereafter	<u>400,000</u>	<u>-</u>
	<u>\$ 3,766,991</u>	<u>\$ 2,523,019</u>

**Alzheimer’s Association,
Northern California and Northern Nevada
Notes to Financial Statements**

4. Investments

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157), which the Organization adopted for its financial statements on July 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The new standard provides a consistent definition of fair value which focuses on an exit price, which is 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. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The three-level hierarchy for fair value measurements is defined as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An investment’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

As of and for the year ended June 30, 2009, all of the Organization’s financial instruments were carried at fair value under the Level 1 valuation hierarchy based on quoted prices in an active market.

Investments consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Certificates of deposit	\$ 22,945	\$ 22,466
Mutual funds	49,331	63,752
U.S. government bonds	<u>147,023</u>	<u>167,731</u>
	<u>\$ 219,299</u>	<u>\$ 253,949</u>

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**

4. Investments (continued)

Income from investments consists of the following for the year ended June 30:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 390	\$ 1,000
Unrealized losses	<u>(34,650)</u>	<u>-</u>
	<u>\$ (34,260)</u>	<u>\$ 1,000</u>

5. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$ 387,559	\$ 387,559
Equipment	624,942	623,887
Leasehold improvements	<u>252,025</u>	<u>252,025</u>
	1,264,526	1,263,471
Less accumulated depreciation and amortization	<u>1,034,408</u>	<u>968,074</u>
	<u>\$ 230,118</u>	<u>\$ 295,397</u>

Property and equipment acquired under capital leases totaled \$229,000 at June 30, 2009 and 2008. Accumulated depreciation and depreciation expense related to property and equipment acquired under capital leases totaled \$52,000 and \$23,000 as of and for the year ended June 30, 2009, respectively (\$29,000 as of and for the year ended June 30, 2008).

6. Line of Credit

At June 30, 2008, the Association had an unsecured \$500,000 line of credit. The line of credit expired on December 31, 2008 and was not renewed.

**Alzheimer’s Association,
Northern California and Northern Nevada
Notes to Financial Statements**

7. Restrictions on Net Assets

Temporarily restricted net assets are restricted to the following purposes or periods at June 30:

	<u>2009</u>	<u>2008</u>
Programs and services	\$ 134,644	\$ 115,490
For subsequent periods	<u>1,295,389</u>	<u>1,059,957</u>
	<u>\$ 1,430,033</u>	<u>\$ 1,175,447</u>

During 2009, net assets of \$409,330 were released from temporarily restricted net assets due to the expiration of donor time and usage restrictions.

8. Related Party Transactions

Amounts Due to/from National:

Under the Fundraising Agreement, the Association received 60% of shared revenues, as defined, during the years ended June 30, 2009 and 2008. As of June 30, 2009, the Association owes National \$2,053,878, representing the reconciliation of shared revenues allocated under the terms of the Fundraising Agreement (\$291,699 as of June 30, 2008).

Alzheimer’s Los Angeles, Riverside, and San Bernardino Counties Chapter:

During the year ended June 30, 2009, the Association received and expended \$88,000 in federal funds passed through from the Alzheimer’s Los Angeles, Riverside, and San Bernardino Counties Chapter (\$14,000 in 2008).

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**

9. Lease Commitments

Operating Leases:

The Association has non-cancelable operating facility lease agreements that expire at various dates through June 2014. Under the terms of the leases, the Association is responsible for maintaining liability and property damage insurance, and paying certain allocable operating expenses.

The agreements provide for scheduled minor rent increases over the terms of the leases. Rent expense, including allocated operating costs, was \$494,000 in 2009 (\$500,000 in 2008).

Future minimum lease payments are as follows for years ending June 30:

2010	\$ 364,000
2011	359,000
2012	271,000
2013	227,000
2014	<u>166,000</u>
	<u>\$ 1,387,000</u>

Capital Leases:

As of June 30, 2009, the Company is obligated under capital lease agreements for the purchase of property and equipment, which collateralizes the obligations.

Future minimum lease payments required under the capital lease agreements, exclusive of related taxes, are as follows for the years ending June 30:

2010	\$ 55,000
2011	55,000
2012	55,000
2013	<u>18,000</u>
	183,000
Less amounts representing interest at 9.13% - 11.22%	<u>30,000</u>
	153,000
Less current portion of capital lease obligations	<u>46,000</u>
Capital lease obligations, less current portion	<u>\$ 107,000</u>

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**


10. Employee Benefit Plan

Effective January 1, 2009, the Association has a 401(k) plan under which eligible employees may contribute a portion of their compensation to the plan, subject to the limitations under the Internal Revenue Code. Prior to January 1, 2009, the Association had a defined contribution 403(b) plan under which eligible employees contributed a portion of their salaries, subject to the limitations under the Internal Revenue Code. The 403(b) plan terminated upon the effective date of the 401(k) plan. Discretionary contributions of \$176,000 were made to the plans during the year ended June 30, 2009 (\$143,000 in 2008).

Audit Committee and Board of Directors
Alzheimer's Association,
Northern California and Northern Nevada
Mountain View, California

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION

Our report on our audit of the financial statements of Alzheimer's Association, Northern California and Northern Nevada (the Association) appears on pages 1 and 2. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



FRANK, RIMERMAN + CO. LLP

Palo Alto, California
October 1, 2009

**Alzheimer's Association,
Northern California and Northern Nevada
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2009**

<u>Grantor/Pass-through Grantor Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<i>Federal Awards:</i>			
Pass-Through Programs:			
U.S. Department of Health and Human Services			
Alzheimer's Demonstration Grant			
Alzheimer's Association, Los Angeles, Riverside and San Bernardino Counties Chapter			
	93.051	CT-0708-23	\$ 75,000
		CT-0809-24	13,333
State of Nevada, Division for Aging Caregiver Support Services- ADSSP/Independent Living			
	93.051	18-010-45-AM-09	22,194
Special Programs for the Aging Council on Aging, Silicon Valley			
	93.052	None	14,000
Family Caregiver Support Services Council on Aging, Silicon Valley			
	93.052	None	47,568
Monterey County Area Agency on Aging Employment and Human Services Department of Contra Costa County			
	93.052	40-160-9	47,918
	93.052	40-292-0	7,500
County of San Mateo			
	93.052	None	21,934
	93.052	OTO	2,636
Alameda County Area Agency on Aging			
	93.052	SE09-124a	32,689
	93.052	OTO	14,625
Department of Health and Human Services Marin County			
	93.052	None	44,619
	93.052	OTO	4,521
	93.052	COLA	1,000
	93.052	None	<u>20,000</u>
Total expenditures of federal awards (carried forward)			<u>\$ 406,038</u>

(continued)

**Alzheimer’s Association,
Northern California and Northern Nevada
Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2009**

<u>Grantor/Pass-through Grantor Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
Total expenditures of federal awards (brought forward)			\$ 406,038
Family Caregiver Alliance	93.052	None	24,231
San Benito and Santa Cruz Counties Senior Network Services	93.052	0809-08	5,043
	93.052	OTO	<u>1,577</u>
Total expenditures of federal awards			<u>436,889</u>
 <i>State Awards:</i>			
Pass-Through Programs:			
State of Nevada, Division for Aging Services – Independent Living	N/A	8-010-43-AM-09	149,427
	N/A	8-010-45-AM-09	<u>51,911</u>
Total expenditures of state awards			<u>201,338</u>
Total expenditures of federal and state awards			<u>\$ 638,227</u>

Audit Committee and Board of Directors
Alzheimer's Association,
Northern California and Northern Nevada
Mountain View, California

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of Alzheimer's Association, Northern California and Northern Nevada (the Association) as of and for the year ended June 30, 2009, and have issued our report thereon dated October 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to the Association's management in a separate letter dated October 1, 2009.

This report is intended solely for the information and use of the Association's Board of Directors, Audit Committee and management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Frank, Rimerman & Co. LLP". The signature is written in a cursive, slightly slanted style.

FRANK, RIMERMAN + CO. LLP

Palo Alto, California
October 1, 2009