

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

**FINANCIAL STATEMENTS**

For the Years Ended  
June 30, 2016 and 2015

**ALZHEIMER’S DISEASE AND RELATED DISORDERS ASSOCIATION,  
GREATER ILLINOIS CHAPTER  
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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Alzheimer's Disease and Related Disorders Association, Greater Illinois Chapter (the Association), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Sikich LLP*

Rockford, Illinois  
September 28, 2016

## **FINANCIAL STATEMENTS**

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

STATEMENTS OF FINANCIAL POSITION

As of June 30,

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,072,189	\$ 1,861,957
Contributions receivable, net	102,181	356,518
Due from National		
Cash	266,337	318,882
Pledges	196,975	1,115,084
Other receivables	11,619	9,939
Prepaid expenses and other assets	100,573	38,596
<b>Total current assets</b>	<b>1,749,874</b>	<b>3,700,976</b>
Cash and cash equivalents, restricted	80,013	73,319
Contributions receivable, net	23,000	18,290
Investments	3,325,624	1,998,344
Property and equipment, net	288,288	247,746
<b>Total other assets</b>	<b>3,716,925</b>	<b>2,337,699</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,466,799</b>	<b>\$ 6,038,675</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 47,130	\$ 94,122
Accrued expenses	446,232	308,401
<b>Total current liabilities</b>	<b>493,362</b>	<b>402,523</b>
<b>NET ASSETS</b>		
Unrestricted - undesignated	4,421,728	3,887,533
Temporarily restricted	551,709	1,748,619
<b>Total net assets</b>	<b>4,973,437</b>	<b>5,636,152</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 5,466,799</b>	<b>\$ 6,038,675</b>

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,

	<b>2016</b>			<b>2015</b>		
	Temporarily		Total	Temporarily		Total
	Unrestricted	Restricted		Unrestricted	Restricted	
<b>REVENUES</b>						
Contributions and grants						
Memorials and tributes	\$ 274,334	\$ 8,465	\$ 282,799	\$ 275,429	\$ 7,447	\$ 282,876
Corporations	229,352	108,089	337,441	218,287	15,500	233,787
Individuals	390,647	11,155	401,802	206,383	95,661	302,044
Bequests	170,095	-	170,095	719,357	-	719,357
Foundations	65,317	105,700	171,017	32,844	14,650	47,494
Donated services and materials	103,889	-	103,889	51,050	-	51,050
Shared contributions, net	581,143	-	581,143	581,445	16,705	598,150
Government grants	-	30,000	30,000	-	30,000	30,000
Other grants	2,775	-	2,775	700	-	700
Total contributions and grants	1,817,552	263,409	2,080,961	2,085,495	179,963	2,265,458
Program services - education workshops	135,625	-	135,625	15,270	-	15,270
Interest and dividend income	48,570	-	48,570	37,231	-	37,231
Realized gains on investments	3,405	-	3,405	2	-	2
Unrealized losses on investments	(15,218)	-	(15,218)	(28)	-	(28)
Special events - gross receipts	3,980,124	162,337	4,142,461	2,981,202	505,016	3,486,218
Miscellaneous	1,329	-	1,329	3,126	-	3,126
Total revenues	5,971,387	425,746	6,397,133	5,122,298	684,979	5,807,277
Net assets released from restrictions	1,622,656	(1,622,656)	-	1,342,824	(1,342,824)	-
Total revenues and net assets released from restrictions	7,594,043	(1,196,910)	6,397,133	6,465,122	(657,845)	5,807,277
<b>EXPENSES</b>						
Program services						
Patient and family services	2,517,035	-	2,517,035	2,074,732	-	2,074,732
Public awareness and education	2,055,284	-	2,055,284	1,558,878	-	1,558,878
Public policy	358,548	-	358,548	272,962	-	272,962
Total program services	4,930,867	-	4,930,867	3,906,572	-	3,906,572
Support services						
Management and general	548,519	-	548,519	382,205	-	382,205
Fundraising	1,580,462	-	1,580,462	1,251,798	-	1,251,798
Total support services	2,128,981	-	2,128,981	1,634,003	-	1,634,003
Total expenses	7,059,848	-	7,059,848	5,540,575	-	5,540,575
<b>CHANGE IN NET ASSETS</b>	534,195	(1,196,910)	(662,715)	924,547	(657,845)	266,702
<b>NET ASSETS, BEGINNING OF YEAR</b>	3,887,533	1,748,619	5,636,152	2,962,986	2,406,464	5,369,450
<b>NET ASSETS, END OF YEAR</b>	\$ 4,421,728	\$ 551,709	\$ 4,973,437	\$ 3,887,533	\$ 1,748,619	\$ 5,636,152

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, 2016

	<b>Patient and Family Services</b>	<b>Public Awareness/ Education</b>	<b>Public Policy</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total Support Services</b>	<b>Total</b>
Salaries and wages	\$ 1,545,448	\$ 1,082,120	\$ 249,510	2,877,078	259,532	788,315	1,047,847	\$ 3,924,925
Payroll taxes and other employee benefits	393,954	248,573	39,166	681,693	90,098	190,462	280,560	962,253
Accounting fees	17,520	17,520	-	35,040	4,380	4,380	8,760	43,800
Outside/contract labor	42,562	21,173	750	64,485	3,171	82,065	85,236	149,721
Office supplies	38,618	46,062	84	84,764	7,631	12,886	20,517	105,281
Telephone	65,029	63,785	332	129,146	14,978	15,663	30,641	159,787
Postage	9,100	6,979	2,631	18,710	806	18,412	19,218	37,928
Occupancy/utilities/insurance	225,868	225,518	-	451,386	56,194	57,678	113,872	565,258
Equipment rental and maintenance	11,020	11,020	-	22,040	2,755	2,755	5,510	27,550
Printing and publications/newsletter	4,619	114,509	-	119,128	1,139	1,139	2,278	121,406
Advertising/publicity/promotion	26,181	101,557	7,302	135,040	40	134,941	134,981	270,021
Books/library purchases	4,963	1,876	500	7,339	372	372	744	8,083
Conferences, conventions, and meetings	18,166	35,293	15,816	69,275	3,961	134,742	138,703	207,978
Staff development - dues and subscriptions	9,980	8,288	-	18,268	2,039	2,384	4,423	22,691
Travel	52,091	20,531	28,733	101,355	4,967	24,296	29,263	130,618
Grants - specific assistance to individuals	1,391	-	12,762	14,153	-	-	-	14,153
Interest/bank charges	20,565	20,565	-	41,130	5,141	102,428	107,569	148,699
Miscellaneous	996	951	962	2,909	1,721	303	2,024	4,933
Bad debt	-	-	-	-	82,353	-	82,353	82,353
Depreciation	28,964	28,964	-	57,928	7,241	7,241	14,482	72,410
<b>TOTAL</b>	<b>\$ 2,517,035</b>	<b>\$ 2,055,284</b>	<b>\$ 358,548</b>	<b>\$ 4,930,867</b>	<b>\$ 548,519</b>	<b>\$ 1,580,462</b>	<b>\$ 2,128,981</b>	<b>\$ 7,059,848</b>

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, 2015

	<b>Patient and Family Services</b>	<b>Public Awareness/ Education</b>	<b>Public Policy</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total Support Services</b>	<b>Total</b>
Salaries and wages	\$ 1,269,962	\$ 820,524	\$ 181,287	\$ 2,271,773	\$ 203,072	\$ 625,439	\$ 828,511	\$ 3,100,284
Payroll taxes and other employee benefits	360,839	178,860	29,231	568,930	69,223	137,990	207,213	776,143
Accounting fees	8,760	8,760	-	17,520	2,190	2,190	4,380	21,900
Outside/contract labor	10,599	19,930	13,198	43,727	2,287	72,628	74,915	118,642
Office supplies	28,326	33,366	72	61,764	6,750	15,510	22,260	84,024
Telephone	50,318	48,968	266	99,552	11,899	12,330	24,229	123,781
Postage	8,492	7,194	1,661	17,347	593	15,751	16,344	33,691
Occupancy/utilities/insurance	174,940	174,940	-	349,880	43,573	44,868	88,441	438,321
Equipment rental and maintenance	13,076	13,076	-	26,152	3,269	3,269	6,538	32,690
Printing and publications/newsletter	5,413	82,255	-	87,668	1,353	1,703	3,056	90,724
Advertising/publicity/promotion	32,959	93,009	5,431	131,399	-	106,770	106,770	238,169
Books/library purchases	3,409	776	40	4,225	150	150	300	4,525
Conferences, conventions, and meetings	9,260	10,324	14,675	34,259	1,499	99,803	101,302	135,561
Staff development - dues and subscriptions	5,563	4,433	500	10,496	1,014	1,839	2,853	13,349
Travel	49,178	22,905	17,030	89,113	3,694	25,914	29,608	118,721
Grants - specific assistance to individuals	4,174	-	8,339	12,513	-	-	-	12,513
Interest/bank charges	21,104	21,104	-	42,208	5,276	81,047	86,323	128,531
Miscellaneous	91	185	1,232	1,508	22	30	52	1,560
Bad debt	-	-	-	-	21,774	-	21,774	21,774
Depreciation	18,269	18,269	-	36,538	4,567	4,567	9,134	45,672
<b>TOTAL</b>	<b>\$ 2,074,732</b>	<b>\$ 1,558,878</b>	<b>\$ 272,962</b>	<b>\$ 3,906,572</b>	<b>\$ 382,205</b>	<b>\$ 1,251,798</b>	<b>\$ 1,634,003</b>	<b>\$ 5,540,575</b>

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,

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from contributions and special fundraising events	\$ 6,270,649	\$ 5,558,344
Cash from program services - education workshops	135,625	13,820
Cash received under revenue sharing agreement	1,755,846	1,974,271
Cash from government grants	30,000	30,000
Interest and dividends received	48,750	62,029
Miscellaneous receipts	1,329	1,878
Operating receipts	8,242,199	7,640,342
Cash paid to and for the benefit of employees	4,851,837	3,772,807
Cash paid under revenue sharing agreement	785,192	816,143
Cash paid to vendors	1,922,046	1,268,090
Cash transferred to restricted cash	6,694	17,319
Grants paid	14,153	12,513
Operating disbursements	7,579,922	5,886,872
Net cash flows from operating activities	662,277	1,753,470
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of investments	5,373	-
Purchase of investments	(1,344,466)	(500,000)
Purchase of property and equipment	(112,952)	(207,389)
Net cash flows from investing activities	(1,452,045)	(707,389)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(789,768)	1,046,081
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,861,957	815,876
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 1,072,189	\$ 1,861,957

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,

<b>(Continued)</b>	<b>2016</b>	<b>2015</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (662,715)	\$ 266,702
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Bad debt	82,353	21,774
Depreciation	72,410	45,672
Realized gains on investments	(3,405)	(2)
Unrealized losses on investments	15,218	28
Cash transferred to restricted cash	(6,694)	(17,319)
Increase (decrease) in cash due to changes in		
Due from National - cash	52,545	140,624
Due from National - pledges	918,109	411,128
Contributions receivable	167,274	803,018
Other receivables	(1,680)	(16,713)
Prepaid expenses and other assets	(61,977)	(3,107)
Accounts payable	(46,992)	(10,283)
Accrued expenses	137,831	111,948
Total adjustments	1,324,992	1,486,768
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 662,277</b>	<b>\$ 1,753,470</b>

See accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**

For the Years Ended June 30, 2016 and 2015

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business

The Alzheimer's Disease and Related Disorders Association, Greater Illinois Chapter (Alzheimer's) is a separately incorporated nonprofit organization 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, Carbondale, Chicago, Rockford, Joliet, and Springfield. Alzheimer's provides a number of core services that include public policy, public awareness, and program services and education. Through the public policy program Alzheimer's work with state and federal legislative bodies to pass legislation and supporting programs to create a dementia capable state and a formation of a national strategic plan to address the disease. Public awareness aims to strengthen the momentum of the Alzheimer's disease movement through advertising, public relations, social media, etc. Program services and education provides education to the general public in coping with problems of those afflicted with Alzheimer's disease and related disorders.

Method of Accounting

Assets, liabilities, revenues and expenses are recognized on the accrual basis method of accounting. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Alzheimer's and changes therein are classified and reported as follows:

Unrestricted Net Assets:

Unrestricted — Net assets that are not subject to donor-imposed restrictions or Board imposed stipulations.

Designated — Net assets subject to stipulations imposed by the Board of Directors and determined to be unavailable for general use.

Temporarily Restricted Net Assets:

Net assets subject to donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by actions of Alzheimer's pursuant to those restrictions.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
GREATER ILLINOIS CHAPTER**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

Method of Accounting (Continued)

Permanently Restricted Net Assets:

Permanently restricted net assets includes contributed net assets which require, by donor imposed restriction, that the corpus be invested in perpetuity and only the income be made available for the program operations in accordance with donor restrictions. Alzheimer's did not have any permanently restricted net assets as of June 30, 2016 or 2015.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (USGAAP) 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

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 unconditional promise is made. Bequests are recognized as revenue when the will clears probate and in the case of a trust in which the assets are held by a third party or fiscal agent, when Alzheimer's is notified of the agreement's existence. 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.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
GREATER ILLINOIS CHAPTER**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Cash Equivalents

Alzheimer's considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents - restricted are required to remain on deposit as collateral for a letter of credit.

Alzheimer's maintains its cash and cash equivalents accounts with multiple institutions that are guaranteed by the Federal Deposit Insurance Corporation (FDIC). At times throughout the year, the balance may be in excess of the FDIC insurance limit; however, management does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Allowance for Uncollectible Pledges

Allowance is made for uncollectible pledges based upon management's judgment and analysis of the credit worthiness of the donors, past collection experience, and other relevant factors. After all attempts to collect the receivable have failed, the receivable is written off against the allowance. However, actual write-offs may exceed the recorded allowance. Based upon management's evaluation, an allowance for uncollectible pledges of \$8,326 and \$5,952 was considered necessary as of June 30, 2016 and 2015, respectively.

Investments

Investments are measured at fair value. Investment return includes dividend, interest, and realized and unrealized gains and losses on investments carried at fair value. Investment return is reflected in the statement of activities as unrestricted, temporarily restricted, or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

Purchased property and equipment with a cost greater than \$500 are capitalized at cost. Donated items are capitalized upon receipt at their estimated fair value. Fixed assets are stated at cost less accumulated depreciation computed on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Equipment	3
Furniture	5
Leasehold improvements	Remainder of lease

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
GREATER ILLINOIS CHAPTER**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fair Value Measurements

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires Alzheimer's to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of input, which are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the year ended June 30, 2016.

Mutual funds: Valued at the NAV of shares on the last trading day of the year.

Income Taxes

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

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
GREATER ILLINOIS CHAPTER**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Donated Services and Materials

Alzheimer's policy is to recognize contributed professional services if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Reclassifications

Special event expenses in the prior year financial statements have been reclassified to fundraising expense for comparative purposes to conform with the presentation of the current year financial statements.

**2. CONTRIBUTIONS RECEIVABLE**

Contributions receivable from pledges and bequests at June 30 are as follows:

	<u>2016</u>	<u>2015</u>
Due within one year	\$ 110,507	\$ 362,470
Due from one to five years	23,000	18,290
Total	133,507	380,760
Less: Allowance for uncollectible accounts	(8,326)	(5,952)
<b>NET CONTRIBUTIONS RECEIVABLE</b>	<u>\$ 125,181</u>	<u>\$ 374,808</u>

**3. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The investments are presented in the financial statements at fair value using fair value measures. The tables below present the balances of assets measured at fair value on a recurring basis:

	<u>June 30, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 3,325,624	\$ -	\$ -	\$ 3,325,624

	<u>June 30, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 1,998,344	\$ -	\$ -	\$ 1,998,344



**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
GREATER ILLINOIS CHAPTER**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**4. RISKS AND UNCERTAINTIES**

Investment securities are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near term would be material to the amounts reported in the statement of activities.

**5. IN-KIND DONATIONS**

Alzheimer's received in-kind donations of certain public service announcements, professional services, and materials for the annual Walks to End Alzheimer's and educational events. These items were allocated by management as follows for the years ended June 30,:

	<u>2016</u>	<u>2015</u>
Donated services:		
Public awareness educational communications	\$ 57,020	\$ 32,329
Professional services	35,089	-
Total donated services	<u>92,109</u>	<u>32,329</u>
Donated materials:		
Fundraising	<u>11,780</u>	<u>18,721</u>
TOTAL	<u>\$ 103,889</u>	<u>\$ 51,050</u>

**6. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30,:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 227,787	\$ 199,946
Furniture	294,463	231,531
Leasehold improvements	<u>301,609</u>	<u>279,431</u>
	823,859	710,908
Less: Accumulated depreciation	<u>(535,571)</u>	<u>(463,162)</u>
TOTAL	<u>\$ 288,288</u>	<u>\$ 247,746</u>

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**7. 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 January 2020. Rent expense related to these leases for the years ended June 30, 2016 and 2015 was \$335,873 and \$325,697, respectively. Future minimum annual rentals for leases executed as of June 30, 2016 are as follows:

Year Ending June 30,	
2017	\$ 385,523
2018	358,119
2019	340,580
2020	<u>304,658</u>
TOTAL	<u>\$ 1,388,880</u>

In lieu of making a security deposit for the Chicago office space, Alzheimer's arranged for an unconditional irrevocable letter of credit to the lessor in the amount of \$80,000, which expired in July 2016. There were no draws on the letter of credit as of June 30, 2016.

**8. RETIREMENT PLAN**

Alzheimer's sponsors a retirement plan under the provisions of Internal Revenue Code Section 401(k). 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. The 401(k) plan matching expense was \$121,518 and \$87,955 for the years ended June 30, 2016 and 2015, respectively.

**9. LINE OF CREDIT**

Alzheimer's had a line of credit with a financial institution with a limit of \$350,000 and a maturity date of October 31, 2016 with interest payable monthly. The interest rate was variable and based on the Prime Rate as published in The Wall Street Journal. Due to the merger with the National Organization (see Note 13), the line of credit was cancelled May 2016. There were no borrowings or payments related to the line of credit during the 2016 or 2015 fiscal years.

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**10. FUNDRAISING AGREEMENT**

Alzheimer's has 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. The agreement shall continue indefinitely. The revenue sharing activity for the years ended June 30 is as follows:

	<u>2016</u>	<u>2015</u>
<u>Revenue Sharing Activity</u>		
Due from National - Beginning Balance	\$ 1,433,966	\$ 1,985,718
Payments received from National	(2,281,261)	(1,968,272)
Payments made to National	785,192	816,143
Shared contributions, net	581,143	598,150
Bad debt expense related to shared contributions	(60,000)	-
Other	4,272	2,227
	<u>463,312</u>	<u>1,433,966</u>
DUE FROM NATIONAL - ENDING BALANCE	<u>\$ 463,312</u>	<u>\$ 1,433,966</u>

**11. TEMPORARILY RESTRICTED NET ASSETS**

The temporarily restricted net assets as of June 30 are as follows:

	<u>2016</u>	<u>2015</u>
<u>Restricted as to Time</u>		
Contributions receivable	\$ 57,914	\$ 68,448
Due from National - Pledges	196,975	1,115,084
Walks to End Alzheimer's	159,162	461,657
<u>Restricted as to Purpose</u>		
Research Symposium	20,000	-
Carbondale library	569	818
Care navigation	20,000	31,329
Chapter programs	12,500	61,283
Community engagement	-	10,000
Physician outreach	84,589	-
TOTAL	<u>\$ 551,709</u>	<u>\$ 1,748,619</u>

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**12. RELATED PARTY TRANSACTIONS**

Donations from board members totaled \$78,602 and \$50,735 during the years ended June 30, 2016 and 2015, respectively.

**13. SUBSEQUENT EVENTS**

Alzheimer's has evaluated subsequent events through September 28, 2016, which was the date that these financial statements were available for issuance, and determined that, except for the merger noted below, there were no significant nonrecognized subsequent events through that date.

On October 17, 2015, the National Board of Directors approved reorganizing the independent chapters and the National Organization to operate as a single entity. This reorganization was completed at 12:01 am, July 1, 2016 at which time the Greater Illinois Chapter consolidated with the National Organization. From that date forward the Greater Illinois Chapter will no longer be an independent entity and will be included in the scope of the National Organization's financial statements.