Grant Thornton

Consolidated Financial Statements and Report of Independent Certified Public Accountants

Alzheimer's Association

June 30, 2013 and 2012

Contents

Grant Thornton LLP
175 W Jackson Boulevard, 20th Floor
Chicago, IL 60604-2687

T 312.856.0200
F 312.565.4719
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Alzheimer's Association

We have audited the accompanying consolidated financial statements of Alzheimer's Association and affiliates (together, the Association), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the consolidated 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 Association'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alzheimer's Association and affiliates as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position as of June 30, 2013, and consolidating statement of activities for the year ended June 30, 2013, are presented for purposes of additional analysis, rather than to present the financial position, results of operations and cash flows of the individual entities, and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Chicago, Illinois
October 18, 2013

Alzheimer's Association
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30,
(In thousands)

ASSETS	2013	2012
Cash	$ 20,713	$ 12,462
Pledges receivable, net	15,897	17,180
Receivables - Chapters, net	25,971	15,293
Other receivables	1,515	1,369
Notes receivable	498	493
Inventories of education materials, at cost	304	328
Investments	47,315	54,744
Prepaid expenses	6,372	6,121
Assets held in trust	163	133
Fixed assets, net	5,807	3,481
Beneficial interest in split-interest agreements	1,498	1,285
Beneficial interest in perpetual trusts	12,999	10,591
TOTAL ASSETS	$ 139,052	$ 123,480

LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 723	$ 1,149
Grants payable, net	23,357	22,526
Deferred compensation payable	163	1,417
Accrued expenses	6,496	5,783
Self-insurance reserve	277	-
Accounts payable - Chapters	13,769	12,201
Gift annuity obligations	4,351	4,478
Deferred revenue	2,795	2,480
Deferred rent	1,968	2,088
Total liabilities	53,899	52,122
Net assets		
Unrestricted	35,430	27,311
Temporarily restricted	24,811	21,876
Permanently restricted	24,912	22,171
Total net assets	85,153	71,358
TOTAL LIABILITIES AND NET ASSETS	$ 139,052	$ 123,480

The accompanying notes are an integral part of these statements.

Alzheimer's Association
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2013, with comparative totals for 2012
(In thousands)

	2013				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	2012 total*
Revenues, gains and other support					
Contributions	$ 71,423	$ 21,958	$ 1,589	$ 94,970	$ 87,598
Less contributions remitted to Chapters	(33,121)	-	-	(33,121)	(32,442)
Add amounts received from Chapters under shared fundraising	49,016	-	-	49,016	38,868
Net contribution revenues	87,318	21,958	1,589	110,865	94,024
Book sales and other	10,469	-	-	10,469	14,071
Dividends and interest	1,593	748	-	2,341	2,041
Net assets released from restrictions	20,409	(20,409)	-	-	-
Total revenues, gains and other support	119,789	2,297	1,589	123,675	110,136
Expenses					
Program services					
Research	28,323	-	-	28,323	29,029
Public awareness and education	27,369	-	-	27,369	24,130
Chapter services	9,448	-	-	9,448	10,833
Public policy	6,227	-	-	6,227	5,811
Family and healthcare professional services	16,585	-	-	16,585	10,941
Total program services	87,952	-	-	87,952	80,744
Supporting services					
Management and general	6,985	-	-	6,985	6,181
Fundraising	19,396	-	-	19,396	18,836
Total supporting services	26,381	-	-	26,381	25,017
Total expenses	114,333	-	-	114,333	105,761
Excess from operations	5,456	2,297	1,589	9,342	4,375
Other changes in net assets					
Net realized and unrealized gains (losses) in value of investments	2,195	917	-	3,112	(912)
Change in value of split-interest agreements	(259)	(318)	-	(577)	(580)
Change in value of perpetual trust	-	-	882	882	(208)
Acquisition of dissolved chapters	1,373	39	270	1,682	481
Bad debt expense	(646)	-	-	(646)	(1,011)
Transfer in of net assets from AIM and AIMPAC	-	-	-	-	593
Total other changes in net assets	2,663	638	1,152	4,453	(1,637)
CHANGE IN NET ASSETS	8,119	2,935	2,741	13,795	2,738
Net assets at beginning of year	27,311	21,876	22,171	71,358	68,620
Net assets at end of year	$ 35,430	$ 24,811	$ 24,912	$ 85,153	$ 71,358

*See complete 2012 statement of activities on page 7.

The accompanying notes are an integral part of this statement.

Alzheimer's Association
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2012
(In thousands)

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support				
Contributions	$ 63,964	$ 23,310	$ 324	$ 87,598
Less contributions remitted to Chapters	(32,442)	-	-	(32,442)
Add amounts received from Chapters under shared fundraising	38,868	-	-	38,868
Net contribution revenues	70,390	23,310	324	94,024
Book sales and other	14,071	-	-	14,071
Dividends and interest	1,470	571	-	2,041
Net assets released from restrictions	15,909	(15,909)	-	-
Total revenues, gains and other support	101,840	7,972	324	110,136
Expenses				
Program services				
Research	29,029	-	-	29,029
Public awareness and education	24,130	-	-	24,130
Chapter services	10,833	-	-	10,833
Public policy	5,811	-	-	5,811
Family and healthcare professional services	10,941	-	-	10,941
Total program services	80,744	-	-	80,744
Supporting services				
Management and general	6,181	-	-	6,181
Fundraising	18,836	-	-	18,836
Total supporting services	25,017	-	-	25,017
Total expenses	105,761	-	-	105,761
(Deficiency) excess from operations	(3,921)	7,972	324	4,375
Other changes in net assets				
Net realized and unrealized losses in value of investments	(809)	(103)	-	(912)
Change in value of split-interest agreements	(279)	(301)	-	(580)
Change in value of perpetual trust	-	-	(208)	(208)
Acquisition of dissolved chapters	45	436	-	481
Bad debt expense	(961)	(50)	-	(1,011)
Transfer in of net assets from AIM and AIMPAC	593	-	-	593
Total other changes in net assets	(1,411)	(18)	(208)	(1,637)
CHANGE IN NET ASSETS	(5,332)	7,954	116	2,738
Net assets at beginning of year	32,643	13,922	22,055	68,620
Net assets at end of year	$ 27,311	$ 21,876	$ 22,171	$ 71,358

The accompanying notes are an integral part of this statement.

Alzheimer's Association
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2013
(In thousands)

	Program services						Supporting services			
	Research	Public awareness and education	Chapter services	Public policy	Family and healthcare professional services	Total	Management and general	Fundraising	Total	Total all expenses
Salaries and related benefits	$ 3,675	$ 4,475	$ 4,466	$ 2,917	$ 10,283	$ 25,816	$ 2,396	$ 7,737	$ 10,133	$ 35,949
Grants and funded research	15,069	-	493	808	367	16,737	-	-	-	16,737
Professional fees and consultants	1,724	1,859	620	1,126	1,507	6,836	867	4,784	5,651	12,487
Telephone, postage and supplies	398	3,992	405	156	512	5,463	1,629	1,222	2,851	8,314
Occupancy	775	635	765	318	1,737	4,230	156	566	722	4,952
Conferences and meetings	1,943	431	1,661	596	810	5,441	91	1,392	1,483	6,924
Printing and promotions	1,294	15,855	660	180	507	18,496	1,324	3,028	4,352	22,848
Miscellaneous	3,401	62	58	70	656	4,247	441	501	942	5,189
Total expenses before depreciation	28,279	27,309	9,128	6,171	16,379	87,266	6,904	19,230	26,134	113,400
Depreciation	44	60	320	56	206	686	81	166	247	933
Total expenses	$ 28,323	$ 27,369	$ 9,448	$ 6,227	$ 16,585	$ 87,952	$ 6,985	$ 19,396	$ 26,381	$ 114,333

The accompanying notes are an integral part of this statement.

Alzheimer's Association
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2012
(In thousands)

	Program services						Supporting services			
	Research	Public awareness and education	Chapter services	Public policy	Family and healthcare professional services	Total	Management and general	Fundraising	Total	Total all expenses
Salaries and related benefits	$ 3,615	$ 3,618	$ 7,093	$ 2,734	$ 6,431	$ 23,491	$ 1,713	$ 6,353	$ 8,066	$ 31,557
Grants and funded research	12,055	12	387	593	447	13,494	-	-	-	13,494
Professional fees and consultants	1,809	766	664	975	1,040	5,254	501	4,355	4,856	10,110
Telephone, postage and supplies	385	3,625	287	158	370	4,825	1,654	1,435	3,089	7,914
Occupancy	1,453	580	499	349	1,465	4,346	59	356	415	4,761
Conferences and meetings	2,823	455	1,188	635	549	5,650	39	1,206	1,245	6,895
Printing and promotions	1,375	14,950	493	259	332	17,409	1,778	3,968	5,746	23,155
Miscellaneous	5,468	50	44	48	128	5,738	353	988	1,341	7,079
Total expenses before depreciation	28,983	24,056	10,655	5,751	10,762	80,207	6,097	18,661	24,758	104,965
Depreciation	46	74	178	60	179	537	84	175	259	796
Total expenses	$ 29,029	$ 24,130	$ 10,833	$ 5,811	$ 10,941	$ 80,744	$ 6,181	$ 18,836	$ 25,017	$ 105,761

The accompanying notes are an integral part of this statement.

Alzheimer's Association
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30,
(In thousands)

	2013	2012
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	$ 13,795	$ 2,738
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	933	796
Net realized and unrealized (gains) losses in value of investments	(3,112)	912
(Increase) decrease in pledges, chapter receivables, other receivables and notes receivable	(9,546)	5,472
Increase in inventories and prepaid expenses	(227)	(2,176)
Increase (decrease) in payables, accrued expenses and chapter obligations	1,709	(3,536)
Increase (decrease) in deferred revenue	315	(1,516)
Decrease in deferred rent	(120)	(244)
(Increase) decrease in beneficial interest in split-interest agreements	(213)	155
Change in value of perpetual trusts	(2,408)	208
Decrease in gift annuity obligations	(127)	(257)
Contributions restricted for long-term investment	(1,589)	(324)
Net cash (used in) provided by operating activities	(590)	2,228
Cash flows from investing activities		
Purchase of fixed assets	(3,259)	(1,035)
Proceeds from sale of investments	23,296	53,520
Purchases of investments	(13,105)	(53,648)
Net cash provided by (used in) investing activities	6,932	(1,163)
Cash flows from financing activities		
Proceeds from contributions restricted for		
Long-term investment	1,589	324
Investment subject to annuity agreement	792	838
	2,381	1,162
Other financing activities		
Payment of annuity obligations	(472)	(474)
Net cash provided by financing activities	1,909	688
NET CHANGE IN CASH	8,251	1,753
Cash at beginning of year	12,462	10,709
Cash at end of year	$ 20,713	$ 12,462

The accompanying notes are an integral part of these statements.

NOTE A - ORGANIZATION AND BASIS OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Alzheimer's Association, Alzheimer's Impact Movement (AIM) and Alzheimer's Impact Movement Political Action Committee (AIMPAC) (together, the Association). AIM and AIMPAC became controlled entities in fiscal year 2012 and their activity is included in the fiscal year 2012 and 2013 results. All significant intercompany balances and transactions have been eliminated in consolidation.

The Alzheimer's Association, incorporated as the Alzheimer's Disease and Related Disorders Association, Inc., is a not-for-profit, tax-exempt organization dedicated to achieving its mission: to eliminate Alzheimer's disease through the advancement of research, to provide and enhance care and support for all affected, and to reduce the risk of dementia through the promotion of brain health. The Association's mission is carried out through research, education, public awareness, advocacy, programs and services. The Association's primary sources of revenue and support are contributions from the public, corporations and foundations.

AIM is a nonpartisan, nonprofit advocacy organization working in strategic partnership with the Alzheimer's Association to make Alzheimer's disease a national priority. The organization's mission is to advocate for the advancement of public policy, in order to eliminate Alzheimer's disease through the advancement of research, to enhance care and support for all affected and to reduce the risk of dementia.

AIMPAC is a voluntary, non-partisan political action committee to support and elect federal congressional candidates who are committed to ending Alzheimer's disease in our lifetimes. AIMPAC, the political arm of AIM, is integral in educating members of Congress about critical Alzheimer's issues in support of the policy priorities of the Alzheimer's Association; to fight for a better life for the millions of Americans who live with Alzheimer's; and to ensure the voice of the Alzheimer's community is heard in the halls of Congress.

In addition, the Association oversees the operations and activities for 18 National Chapters to facilitate strategic alignment, delivery on the overarching Association-wide strategic objectives and priority activities, and to ensure coverage for all geographic territories. Their activity is included in the consolidated financial statements and consists of incremental revenues of $10.8 million and expenses of $7.3 million as of June 30, 2013, and revenues of $3.2 million and expenses of $2.9 million as of June 30, 2012.

There were 62 local chapters supported by the Association as of June 30, 2013. The accounts and operations of the local chapters are appropriately not included in the Association's consolidated financial statements. Eight chapters dissolved and/or disaffiliated from the Association during the year ended June 30, 2013. Two chapters dissolved during the year ended June 30, 2012.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions and Presentation

All contributions are considered available for the general programs of the Association unless specifically restricted by the donor. The Association reports monetary gifts as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets or are subject to time or legal restriction. A donor restriction expires when a stipulated time or legal restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

For discounting purposes, pledges receivable are classified as either collectible in one year or less or collectible in multiple years. Those receivables deemed collectible in one year or less are stated at their full face value. Those classified as multi-year pledges are stated at their net present value, using a risk-adjusted discount rate.

Permanently restricted net assets are those assets for which donors require the principal of the gift to be maintained in perpetuity.

Under the Shared Fundraising (SFR) policy, the Association and chapters share all unrestricted contributed revenue received by either party from the chapter's geographical area based on a predetermined sharing percentage. The amount due from the chapters under SFR is reported as Receivables - Chapters. The amount due to the chapters under SFR is reported as Accounts Payable - Chapters.

Use of Estimates

The preparation of consolidated 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 at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time the estimates are made, actual results could differ from those estimates.

Allowances for Uncollectible Amounts

The Association evaluates the collectability of its chapter receivables and pledges receivable based on the length of time the receivable is outstanding, historical experience, and an assessment of business and economic conditions. The receivables are charged to the allowance for uncollectible amounts when they are deemed uncollectible.

Fair Value of Financial Instruments

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the inputs used to measure fair value and specify disclosure requirements for fair value measurements. Furthermore, the Association maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but that are traded less frequently and investments that are fairly valued using other securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Association. The Association considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Association's perceived risk of that instrument.

Valuation of Investments and Financial Instruments

Investments with values that are based on quoted market prices in active markets and are, therefore, classified within Level 1, include active listed equities and fixed income funds. The Association does not adjust the quoted price for such instruments, even in situations where the Association holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but that are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. Level 2 investments include U.S. Government agency securities.

Investments and financial instruments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The valuation of the beneficial interest in the split-interest agreements and perpetual trusts falls under Level 3, as there are no significant observable inputs. The trust valuations are based on assumptions about the present value of distributions to be received from the trusts.

The inputs used by the Association in estimating the Level 3 beneficial interests in split-interest agreements and perpetual trusts include mark-to-market adjustments, annuitant life expectancy and future asset growth. Assumptions used by the Association due to the lack of observable inputs may significantly impact the resulting fair value of the investments and beneficial interest in the split-interest agreements and beneficial trusts and, therefore, the Association's results of operations.

Assets Held in Trust

Investments held in trust are carried at fair value. The investments represent contributions to 457(b) plans for key employees. See note G for additional information about the terms of these plans.

Fixed Assets

Building, furniture, equipment and leasehold improvements are stated at cost or, if donated, at fair market value at the date of donation. Depreciation on furniture and equipment is provided on a straight-line basis over the estimated useful lives (three to seven years) of the assets. Depreciation on the building is provided on a straight-line basis over the estimated useful life (39 years). Amortization of leasehold improvements is provided on a straight-line basis over the remaining life of the lease (up to 15 years).

Notes Receivable

Credit is extended to chapters for loans receivable based on evaluation of the chapters' financial condition and collateral is not required. Loans receivable are stated at amounts due. The Association evaluates the collectability of its loans receivable based on the length of time the receivable is outstanding and an assessment of business and economic conditions. Accounts outstanding longer than the contractual payment terms are considered past due. The Association maintained no past due loans receivable for the years ended June 30, 2013 and 2012. The Association did not record an allowance for doubtful accounts based on an assessment of the nature of the loans receivable.

Grants Payable

The Association awards research grants generally covering a period of one to three years. Grant expense is recorded as an unconditional promise to give upon approval of the grant.

Deferred Revenue

Registration fees received for conferences to be held in a subsequent period are recognized as deferred revenue. These fees are recorded as unrestricted revenues in the period in which the conference is held.

Advertising Expense

Advertising expense is recorded in the period in which the advertising first takes place. Advertising expense was approximately $10,382,000 and $10,355,000 for the years ended June 30, 2013 and 2012, respectively.

Income Taxes

The Association and AIM have received favorable determination letters from the Internal Revenue Service, stating that they are exempt from federal income taxes under the provisions of section 501(a) of the Internal Revenue Code of 1986 (IRC), as organizations described in sections 501(c)(3) and 501(c)(4), respectively, except for income taxes pertaining to unrelated business income. AIMPAC is a political action committee organization exempt from federal taxes under Section 527 of the IRC. The Financial Accounting Standards Board issued guidance that requires tax effects from uncertain tax positions to be recognized in the consolidated financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined there are no material uncertain positions that require recognition in the consolidated financial statements and as such, no provision for income taxes is reflected. Additionally, there is no interest or penalties recognized in the consolidated statements of activities or statements of position. Aside from the current year, the tax years ending 2009, 2010 and 2011 are still open to audit for both federal and state purposes.

Reclassifications

Certain reclassifications have been made to the 2012 consolidated financial statements to conform to the 2013 presentation.

NOTE C - PLEDGES RECEIVABLE

Pledges receivable, net of estimated uncollectible amounts and discounted to present value, are due to be collected as follows at June 30 (in thousands):

	2013	2012
Less than one year	$12,443	$13,112
One to five years	4,362	4,985
	16,805	18,097
Less		
Unamortized discount	(324)	(429)
Allowance for uncollectible amounts	(584)	(488)
Total	$15,897	$17,180

As of June 30, 2013, discount rates on pledges receivable ranged from 1.66% to 5.15%.

NOTE D - INVESTMENTS

The fair value of investments is as follows at June 30 (in thousands):

	2013	2012
Short-term reserves and cash	$ 219	$ 114
Fixed income funds	19,139	25,769
Equities funds	27,560	27,296
U.S. government agency securities	397	1,565
Total	$47,315	$54,744

Investment fees incurred totaled approximately $112,000 and $97,000 at June 30, 2013 and 2012, respectively, which were netted with dividends and interest income.

NOTE E - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables summarize assets by fair value hierarchy levels as of June 30 (in thousands):

	2013			
	Level 1	Level 2	Level 3	Total
Fixed income funds	$19,139	$ -	$ -	$19,139
Equities funds	27,560	-	-	27,560
U.S. government agency securities	-	397	-	397
Beneficial interest in split-interest agreements	-	-	1,498	1,498
Beneficial interest in perpetual trust	-	-	12,999	12,999
Total	$46,699	$397	$14,497	$61,593

	2012			
	Level 1	Level 2	Level 3	Total
Fixed income funds	$25,769	$ -	$ -	$25,769
Equities funds	27,296	-	-	27,296
U.S. government agency securities	-	1,565	-	1,565
Beneficial interest in split-interest agreements	-	-	1,285	1,285
Beneficial interest in perpetual trust	-	-	10,591	10,591
Total	$53,065	$1,565	$11,876	$66,506

The following table summarizes the changes in fair values associated with Level 3 assets (in thousands):

	Beneficial interest in split-interests agreements	Beneficial interest in perpetual trust	Total
Balance, June 30, 2011	$1,440	$10,799	$12,239
Additions	32	-	32
Unrealized loss	(5)	(208)	(213)
Payments received	(182)	-	(182)
Balance, June 30, 2012	1,285	10,591	11,876
Additions	356	1,526	1,882
Unrealized gain	90	882	972
Payments received	(233)	-	(233)
Balance, June 30, 2013	$1,498	$12,999	$14,497

All net realized and unrealized gains (losses) in the table above are reflected in the accompanying consolidated statements of activities. Net unrealized gains (losses) relate to those investments held by the Association at year-end.

NOTE F - NOTES RECEIVABLE

The Association issued two loans receivable for $400,000 and $50,000 to the San Diego Alzheimer's Chapter and Western and Central Washington State Alzheimer's Chapter, respectively, during fiscal year 2012. Additional loans of $255,000 were issued to Western and Central Washington State Alzheimer's Chapter during fiscal year 2013. The loans are interest free. Principal payments of $11,000 are due monthly through June 2015 from the San Diego Alzheimer's Chapter. A principal payment of $22,500 is due July 15, 2013, and principal payments of $33,500 are due monthly August 2013 through December 2013 from the Western and Central Washington State Alzheimer's Chapter.

In addition, the Association received a note receivable from a donor during 2012. The note has a face value of $44,000. Using a discount rate of 3.16%, the note receivable is shown at a net value of $43,000 as of June 30, 2013 and 2012. Interest-only monthly payments of $200 are due from July 2012 through June 2014, with a final balloon payment of $38,000 due June 30, 2014.

Proceeds from notes receivable are due as follows (in thousands):

Years ending June 30,	
2014	$365
2015	133
Total	$498

NOTE G - DEFERRED COMPENSATION

Effective September 2006, a 457(f) deferred compensation agreement was entered into with the Association's current Chief Executive Officer. The contract was revised in September 2008. Under the current agreement, the Association provides for deferred compensation of $225,000 per year. The amount of $225,000 due under the agreement was accrued, and the total amount of the agreement of $1.5 million was paid in fiscal year 2013, thereby reducing the 457(f) deferred compensation payable to $0 at June 30, 2013.

The Association maintains 457(b) deferred compensation plans for key employees, which provide that a certain percentage of the key employee's salary be accrued for the benefit of the participant. These plans are provided for currently. The amounts of $163,000 and $133,000 due under the plans were accrued and included in deferred compensation payable at June 30, 2013 and 2012, respectively, and the related investments are included in assets held in trust on the consolidated statements of financial position.

Deferred compensation payables at June 30, 2013 and 2012, are as follows (in thousands):

	2013	2012
457(f) plan	$ -	$1,284
457(b) plans	163	133
Deferred compensation payable	$163	$1,417

NOTE H - FIXED ASSETS

At June 30, 2013 and 2012, fixed assets, and the related accumulated depreciation, were as follows (in thousands):

	2013	2012
Land and building	$ 600	$ -
Leasehold improvements	4,026	4,004
Equipment and software	10,625	9,653
Furniture and fixtures	1,702	1,556
Total	16,953	15,213
Less accumulated depreciation	(13,009)	(12,089)
Equipment not in service	1,863	357
Fixed assets, net	$ 5,807	$ 3,481

NOTE I - PERPETUAL TRUSTS AND SPLIT-INTEREST AGREEMENTS

The Association is a beneficiary of perpetual trusts administered by independent organizations. Under the terms of the trusts, the Association has irrevocable rights to receive portions of the income earned on the trust assets in perpetuity. The Association's beneficial interest in the trusts, at fair value, totaled approximately $12,999,000 and $10,591,000 at June 30, 2013 and 2012, respectively.

The Association is the beneficiary of charitable lead and remainder trust agreements held by independent trustees. Under the terms of the agreements, the Association has an unconditional right to receive all or a portion of specified cash flows from the agreements. The agreements are valued at fair value based upon expected future cash flows and discounted present value at a risk-adjusted rate. As of June 30, 2013 and 2012, the Association applied a discount rate of 1.66% and 3.16%, respectively. The Association's beneficial interest is $1,498,000 and $1,285,000 at June 30, 2013 and 2012, respectively.

The Association also has charitable gift annuity arrangements in which donors have contributed assets to the Association in exchange for a promise to pay a fixed amount for a specified period of time back to the donor. Gift annuity obligations represent the present value of future cash flows expected to be paid by the Association to the donors under these arrangements. Funds of approximately $4,351,000 and $4,478,000 at June 30, 2013 and 2012, respectively, have been segregated in separate accounts, the use of which is limited to meeting the gift annuity obligations.

NOTE J - SELF-INSURANCE RESERVE

The Association maintains a self-insured program for medical coverage as part of its employee benefits plan. Blue Cross Blue Shield of Illinois provides claims administration as well as both individual and aggregate stop-loss coverage. Funding for this program is obtained through both employee and employer contributions for medical coverage and through earnings on designated assets held to pay claims. Prior to July 1, 2012, this coverage was provided by Blue Cross Blue Shield of Illinois on a fully insured basis. Investments designated by the Association for the insurance program amounted to approximately $277,000 and $-0- as of June 30, 2013 and 2012, respectively, and were included in unrestricted net assets. As of June 30, 2013 and 2012, the actuarially determined liability associated with this program was approximately $277,000 and $-0-, respectively, and is determined as an estimated liability for self-insured claims in the accompanying consolidated statements of financial position.

NOTE K - GRANTS PAYABLE

Grants payable are discounted to present value. They are due to be disbursed as follows at June 30 (in thousands):

	2013	2012
Less than one year	$17,560	$14,570
One to five years	5,932	8,251
	23,492	22,821
Less unamortized discount	(135)	(295)
Grants payable, net	$23,357	$22,526

As of June 30, 2013 and 2012, discount rates on grants payable ranged from 1.66% to 3.16% and 2.96% to 3.16%, respectively.

NOTE L - GIFTS-IN-KIND AND CONTRIBUTED SERVICES

Gifts-in-kind and contributed services are reflected as expenses and contributions at their estimated fair value at date of the gift or service. During 2013, the Association received approximately $3,513,000 in gifts-in-kind and contributed services. Of these non-monetary transactions, the Association recorded services valued at approximately $3,137,000 as program expense for the medical science research grants review process and gifts-in-kind of approximately $376,000 as fundraising expenses. During 2012, the Association received approximately $5,570,000 in gifts-in-kind and contributed services. Of these non-monetary transactions, the Association recorded services valued at approximately $5,259,000 as program expense for the medical science research grants review process and gifts-in-kind of approximately $311,000 as fundraising expenses.

NOTE M - ALLOCATION OF JOINT COSTS

For the years ended June 30, 2013 and 2012, the Association incurred expenses of approximately $15,083,000 and $15,414,000, respectively, related to the distribution of informational materials that included fundraising appeals. The Association allocated these costs as follows for the years ended June 30 (in thousands):

	2013	2012
Public awareness and education	$ 8,832	$ 8,181
Fundraising	3,776	4,528
Management and general	2,475	2,705
Total	$15,083	$15,414

NOTE N - RETIREMENT PLANS

The Association has a defined contribution retirement plan covering substantially all of its full-time employees. Effective May 1, 2001, the Association contributes, at a minimum, an amount equal to 6% of the annual compensation of the plan's participants to the defined contribution plan. Also effective May 1, 2001, the Association matches 100% of an employee's contribution up to 5% of the employee's annual compensation.

The Association's policy is to fund retirement plan costs as they are accrued. Contribution expense related to the defined contribution plan totaled approximately $2,297,000 and $2,042,000 for the years ended June 30, 2013 and 2012, respectively.

NOTE O - COMMITMENTS - OPERATING LEASE OBLIGATIONS

The Association currently has a 15-year operating lease agreement for office space in Chicago, Illinois, that expires on March 31, 2018. This lease agreement includes inducements totaling approximately $3,166,000 for leasehold improvements. The lease inducements are reflected as deferred rent in the accompanying consolidated statements of financial position and are being amortized on a straight-line basis over the term of the lease agreement.

The Association also has a 10-year operating lease agreement for office space in Washington, D.C., that has been accounted for as an operating lease in the accompanying consolidated financial statements. The current lease is effective September 1, 2010 through November 30, 2020. The Association has also entered into 18 short-term leases for the National Chapters. These offices replaced dissolved or disaffiliated chapters. The leases range in length from 12 to 90 months.

Rental expense under the lease agreements totaled approximately $1,501,000 and $1,279,000 for the years ended June 30, 2013 and 2012, respectively.

Operating lease obligations for office equipment, including copiers and mailing systems, are also included in the obligations stated below.

Subsequent to year-end, the Association entered into additional property rental lease agreements (see note V).

Future rental commitments, as of June 30, 2013, for all non-cancelable operating leases are as follows (in thousands):

Years ending June 30,	
2014	$1,978
2015	1,751
2016	1,666
2017	1,573
2018	1,316
Thereafter	1,164
Total	$9,448

NOTE P - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30 (in thousands):

	2013	2012
Research	$18,565	$18,420
Miscellaneous projects	2,909	1,427
Time restricted	3,337	2,029
Total	$24,811	$21,876

NOTE Q - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity. Permanently restricted net assets were as follows as of June 30 (in thousands):

	2013	2012
John P. Green, Jr. Charitable Foundation Trust	$ 8,323	$ 7,657
Evelyn T. Stone Memorial Fund	2,727	2,580
George Graff Perpetual Trust	1,263	1,210
Samuel A. Blank Research Fund	1,256	1,255
National Alzheimer's Research Fund Endowment	1,000	1,000
Stephanie Aschemeyer Endowment Fund	897	897
John Lyman Bogert Memorial Research Fund	750	750
Harold W. and Georgiana Spaght Memorial Fund	601	601
Edward P. and Mary Klein Smith Foundation	538	-
Sandra E. Lamb Charitable Trust	508	-
Mary J. Wickstrom Estate	500	500
Hindenburg Perpetual Trust	467	388
Alburger Perpetual Trust	454	433
George F. Berlinger Memorial Fund	450	450
I.J. Berkson Research Fund	437	437
Edna Curl Endowment Fund	411	411
Ruth Templeton Henney Alzheimer's Research Foundation	361	361
Norman Gotlieb and Bertha Chrystall Gotlieb Fund	340	330
Evelyn Schwartz Endowment	278	244
Willis Trust	274	-
William Edmonson Trust	260	236
Mr. and Mrs. Neil Bluhm Pilot Research Grant Fund	251	251
The Blum-Kovler Foundation Pilot Research Grant Fund	250	250
Arthur and Josephine Lowell Charitable Foundation Trust	224	223
Bertis Westfall Charitable Trust	219	-
Donald R. McLennan Jr. Research Fund	212	212
Ruth Bates Charitable Trust	167	157
Sara & Soloman Hartman Family Charitable Trust	154	143
David Finkle Pilot Research Grant Fund	153	153
Sperry Charitable Trust	147	144
Robert and Marie Leonard	141	-
Omens/Normand Research Fund	120	120
Marian Burke Research Scholarship Fund	120	120
The Plotkin-Wollin Research Fund	119	119
Helen and Philip Brody Pilot Research Grant Fund	100	100
Plumsock Fund	100	100
Individual funds less than $100	340	339
Total	$24,912	$22,171

NOTE R - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows for the years ended June 30 (in thousands):

	2013	2012
Purpose restrictions accomplished		
Research	$19,853	$14,024
Miscellaneous projects	556	1,821
Time restricted	-	64
Total net assets released from restrictions	$20,409	$15,909

NOTE S - ENDOWMENT NET ASSETS

Permanently restricted net assets are restricted as investments in perpetuity. The Association's endowment only consists of donor-restricted endowment funds. Net assets associated with the Association's endowment funds are classified and reported based on the existence of donor-imposed restrictions. Donors restrict the earnings of some of the Association's endowment funds to fund the Association's research program. In accordance with donor stipulations, the income generated from these assets is restricted for research (approximately 47%) or not purpose restricted (approximately 53%).

The Association accounts for endowment net assets by preserving the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, the Association classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment fund. The Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Association and the donor-restricted endowment fund.
- General economic conditions.
- The possible effects of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Association.
- The investment policies of the Association.

The Association has adopted an investment policy that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As of June 30, 2013, endowment assets only include those assets of donor-restricted funds that the Association must hold in perpetuity, as the Association does not have any Board-designated endowment funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide adequate liquidity, maximizing returns on all funds invested and achieving full employment of all available funds as earning assets. The Association has an active Finance Committee and Investment Sub-Committee that meets regularly to ensure that the objectives of the investment policy are being met, and that the strategies used to meet the objectives are in accordance with the investment policy. The Association's policy is to appropriate spending amounts deemed prudent for donor-restricted funds.

Changes in endowment net assets for the fiscal years ended June 30, 2013 and 2012, are as follows (in thousands):

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2011	$ -	$ -	$11,256	$11,256
New gifts	-	-	324	324
Dividends and interest	-	379	-	379
Net depreciation (realized and unrealized)	-	(187)	-	(187)
Appropriation	-	(160)	-	(160)
Endowment net assets, June 30, 2012	-	32	11,580	11,612
New gifts	-	-	334	334
Dividends and interest	-	459	-	459
Net appreciation (realized and unrealized)	-	889	-	889
Appropriation	-	(639)	-	(639)
Endowment net assets, June 30, 2013	$ -	$ 741	$11,914	$12,655

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or state law requires the Association to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. There was no deficiency as of June 30, 2013 and 2012.

NOTE T - CONCENTRATION OF CREDIT RISK

Certain financial instruments subject the Association to credit risk. Those financial instruments consist primarily of cash, accounts receivable, beneficial interest in split-interest agreements and investments. The Association maintains its cash balance in financial institutions which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. Concentration of credit risk with respect to receivables is limited due to the large number of accounts and low average cash balance. Concentration of credit risk with respect to the beneficial interest in split-interest agreements is limited through the diversification of the trust assets. The Association's investment policy also stipulates appropriate diversification of investment balances. As of June 30, 2013 and 2012, the Association had no significant concentration of credit risk in investments.

NOTE U - ACQUIRED NET ASSETS

The Association acquired seven chapters during the year as a result of chapter dissolution. No consideration was provided as a result of the transaction.

The following table summarizes the estimated fair values of the assets and liabilities at the acquisition date (in thousands):

Cash	$ 616
Accounts receivable	124
Investments	431
Prepaid expenses	30
Other	274
Land	160
Building	440
Total identifiable assets acquired	2,075
Accounts payable	(18)
Accrued expenses	(77)
Notes payable	(298)
Net assets acquired	$1,682

As a result, the net value is recorded as an acquisition of dissolved chapters during fiscal year 2013.

NOTE V - SUBSEQUENT EVENTS

The Association evaluated its June 30, 2013, consolidated financial statements for subsequent events through October 18, 2013, the date the consolidated financial statements were available to be issued. The Association is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements with the exception of the following event:

Effective July 1, 2013, the Association acquired four additional dissolved chapters for no consideration, which became National Chapters. The fair value estimate of the assets and liabilities acquired is not yet completed. In relation to the acquisitions, the Association entered into 15 property rental lease agreements for the four new National Chapters. The future additional rental commitments are as follows (in thousands):

Years ending June 30,	
2014	$ 245
2015	226
2016	207
2017	155
2018	154
Thereafter	406
Total	$1,393

SUPPLEMENTARY INFORMATION

Alzheimer's Association
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
Year ended June 30, 2013
(In thousands)

ASSETS	Alzheimer's Association	AIM	AIMPAC	Eliminations	Consolidated
Cash	$ 20,099	$ 426	$ 188	$ -	$ 20,713
Pledges receivable, net	15,897	-	-	-	15,897
Receivables - Chapters, net	25,971	-	-	-	25,971
Other receivables	1,564	1	-	(50)	1,515
Notes receivable	498	-	-	-	498
Inventories of education materials, at cost	304	-	-	-	304
Investments	47,315	-	-	-	47,315
Prepaid expenses	6,372	-	-	-	6,372
Assets held in trust	163	-	-	-	163
Fixed assets, net	5,807	-	-	-	5,807
Beneficial interest in split-interest agreements	1,498	-	-	-	1,498
Beneficial interest in perpetual trusts	12,999	-	-	-	12,999
TOTAL ASSETS	$ 138,487	$ 427	$ 188	$ (50)	$ 139,052

LIABILITIES AND NET ASSETS	Alzheimer's Association	AIM	AIMPAC	Eliminations	Consolidated
Liabilities					
Accounts payable	$ 723	$ -	$ -	$ -	$ 723
Grants payable, net	23,357	-	-	-	23,357
Deferred compensation payable	163	-	-	-	163
Accrued expenses	6,495	51	-	(50)	6,496
Self-insurance reserve	277	-	-	-	277
Accounts payable - Chapters	13,769	-	-	-	13,769
Gift annuity obligations	4,351	-	-	-	4,351
Deferred revenue	2,795	-	-	-	2,795
Deferred rent	1,968	-	-	-	1,968
Total liabilities	53,898	51	-	(50)	53,899
Net assets					
Unrestricted	34,866	376	188	-	35,430
Temporarily restricted	24,811	-	-	-	24,811
Permanently restricted	24,912	-	-	-	24,912
Total net assets	84,589	376	188	-	85,153
TOTAL LIABILITIES AND NET ASSETS	$ 138,487	$ 427	$ 188	$ (50)	$ 139,052

Alzheimer's Association
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended June 30, 2013
(In thousands)

	Alzheimer's Association				AIM	AIMPAC	Eliminations	
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Unrestricted	Unrestricted	Consolidated
Revenues, gains and other support								
Contributions	$ 70,977	$ 21,958	$ 1,589	$ 94,524	$ 1,082	$ 172	$ (808)	$ 94,970
Less contributions remitted to Chapters	(33,121)	-	-	(33,121)	-	-	-	(33,121)
Add amounts received from Chapters under shared fundraising	49,016	-	-	49,016	-	-	-	49,016
Net contribution revenues	86,872	21,958	1,589	110,419	1,082	172	(808)	110,865
Book sales and other	10,469	-	-	10,469	-	-	-	10,469
Dividends and interest	1,593	748	-	2,341	-	-	-	2,341
Net assets released from restrictions	20,409	(20,409)	-	-	-	-	-	-
Total revenues, gains and other suppor	119,343	2,297	1,589	123,229	1,082	172	(808)	123,675
Expenses								
Program services								
Research	28,323	-	-	28,323	-	-	-	28,323
Public awareness and education	27,369	-	-	27,369	-	-	-	27,369
Chapter services	9,448	-	-	9,448	-	-	-	9,448
Public policy	5,650	-	-	5,650	1,254	131	(808)	6,227
Family and healthcare professional services	16,585	-	-	16,585	-	-	-	16,585
Total program services	87,375	-	-	87,375	1,254	131	(808)	87,952
Supporting services								
Management and general	6,962	-	-	6,962	23	-	-	6,985
Fundraising	19,396	-	-	19,396	-	-	-	19,396
Total supporting services	26,358	-	-	26,358	23	-	-	26,381
Total expenses	113,733	-	-	113,733	1,277	131	(808)	114,333
Excess (deficiency) from operations	5,610	2,297	1,589	9,496	(195)	41	-	9,342
Other changes in net assets								
Net realized and unrealized gains in value of investments	2,195	917	-	3,112	-	-	-	3,112
Change in value of split-interest agreements	(259)	(318)	-	(577)	-	-	-	(577)
Change in value of perpetual trust	-	-	882	882	-	-	-	882
Acquisition of dissolved chapters	1,373	39	270	1,682	-	-	-	1,682
Bad debt expense	(646)	-	-	(646)	-	-	-	(646)
Total other changes in net assets	2,663	638	1,152	4,453	-	-	-	4,453
CHANGE IN NET ASSETS	8,273	2,935	2,741	13,949	(195)	41	-	13,795
Net assets at beginning of year	26,593	21,876	22,171	70,640	571	147	-	71,358
Net assets at end of year	$ 34,866	$ 24,811	$ 24,912	$ 84,589	$ 376	$ 188	$ -	$ 85,153