

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

Financial Statements

June 30, 2011 and 2010

(With Independent Auditor's Report Thereon)



6815 Weaver Road, Suite 100 • Rockford, IL 61114

Independent Auditor's Report

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

We have audited the accompanying statements of financial position of Alzheimer's Disease and Related Disorders Association, Greater Illinois Chapter (Alzheimer's) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Alzheimer's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alzheimer's Disease and Related Disorders Association, Greater Illinois Chapter as of June 30, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Sikich LLP

Rockford, Illinois
September 9, 2011

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

Statements of Financial Position

June 30, 2011 and 2010

| Assets | <u>2011</u> | <u>2010</u> |
|--|---------------------|------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 279,757 | 205,827 |
| Contributions receivable, net | 156,412 | 259,120 |
| Due from National: | | |
| Cash | 205,459 | 300,588 |
| Pledges | 185,772 | 156,849 |
| Grants receivable | - | 67,248 |
| Other receivable | 6,925 | 11,308 |
| Prepaid expenses and other assets | <u>23,736</u> | <u>35,881</u> |
| Total current assets | 858,061 | 1,036,821 |
| Cash and cash equivalents – restricted | 112,000 | 168,000 |
| Contributions receivable, net | 5,125 | 17,196 |
| Investments | 766,353 | 662,870 |
| Property, equipment and software, net | <u>146,005</u> | <u>208,348</u> |
| | <u>\$ 1,887,544</u> | <u>2,093,235</u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable | 76,501 | 57,470 |
| Accrued expenses | 219,797 | 225,605 |
| Deferred revenue | 2,100 | 23,000 |
| Capital lease obligation | <u>-</u> | <u>23,851</u> |
| Total current liabilities | 298,398 | 329,926 |
| Net assets: | | |
| Unrestricted – undesignated | 1,010,843 | 1,036,560 |
| Temporarily restricted | <u>578,303</u> | <u>726,749</u> |
| Total net assets | <u>1,589,146</u> | <u>1,763,309</u> |
| | <u>\$ 1,887,544</u> | <u>2,093,235</u> |

See accompanying notes to financial statements.

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

Statements of Activities

For the Years Ended June 30, 2011 and 2010

| | 2011 | | | 2010 | | |
|--|---------------------|------------------|------------------|------------------|------------------|------------------|
| | Temporarily | | | Temporarily | | |
| | Unrestricted | Restricted | Total | Unrestricted | Restricted | Total |
| Revenues: | | | | | | |
| Contributions and grants : | | | | | | |
| Memorials and tributes | \$ 218,813 | 4,610 | 223,423 | 213,947 | 8,213 | 222,160 |
| Corporations | 177,290 | 47,295 | 224,585 | 123,181 | 29,975 | 153,156 |
| Individuals | 63,462 | 30,046 | 93,508 | 73,127 | 43,676 | 116,803 |
| Bequests | 754,145 | 134,524 | 888,669 | 340,294 | - | 340,294 |
| Foundations | 24,549 | 12,500 | 37,049 | 30,450 | 17,500 | 47,950 |
| Donated services and materials | 119,963 | - | 119,963 | 108,853 | - | 108,853 |
| Shared contributions, net | 465,358 | 13,721 | 479,079 | 697,275 | 35,540 | 732,815 |
| Other grants | 600 | 23,000 | 23,600 | 6,550 | 10,000 | 16,550 |
| Total contributions and grants | <u>1,824,180</u> | <u>265,696</u> | <u>2,089,876</u> | <u>1,593,677</u> | <u>144,904</u> | <u>1,738,581</u> |
| Program services – education workshops | 117,212 | - | 117,212 | 167,205 | - | 167,205 |
| Interest and dividend income | 21,053 | - | 21,053 | 19,418 | - | 19,418 |
| Realized gains (losses) on investments | 28,645 | - | 28,645 | (2,509) | - | (2,509) |
| Unrealized gains on investments | 48,886 | - | 48,886 | 44,878 | - | 44,878 |
| Special events – gross receipts | 1,591,763 | 399,084 | 1,990,847 | 1,696,585 | 402,009 | 2,098,594 |
| Less special event expenses | (213,150) | - | (213,150) | (234,581) | - | (234,581) |
| Sales of books and materials | 1,021 | - | 1,021 | 1,651 | - | 1,651 |
| Miscellaneous | 4,227 | - | 4,227 | 2,549 | - | 2,549 |
| Total revenues | <u>3,423,837</u> | <u>664,780</u> | <u>4,088,617</u> | <u>3,288,873</u> | <u>546,913</u> | <u>3,835,786</u> |
| Net assets released from restrictions | <u>813,226</u> | <u>(813,226)</u> | <u>-</u> | <u>962,413</u> | <u>(962,413)</u> | <u>-</u> |
| Total revenues and net assets released from restrictions | <u>4,237,063</u> | <u>(148,446)</u> | <u>4,088,617</u> | <u>4,251,286</u> | <u>(415,500)</u> | <u>3,835,786</u> |
| Expenses: | | | | | | |
| Program services: | | | | | | |
| Patient and family services | 1,474,536 | - | 1,474,536 | 1,620,021 | - | 1,620,021 |
| Public awareness and education | 1,613,369 | - | 1,613,369 | 1,406,321 | - | 1,406,321 |
| Public policy | 96,089 | - | 96,089 | 82,083 | - | 82,083 |
| Total program services | <u>3,183,994</u> | <u>-</u> | <u>3,183,994</u> | <u>3,108,425</u> | <u>-</u> | <u>3,108,425</u> |
| Support services: | | | | | | |
| Management and general | 373,284 | - | 373,284 | 436,387 | - | 436,387 |
| Fundraising | 705,502 | - | 705,502 | 596,176 | - | 596,176 |
| Total support services | <u>1,078,786</u> | <u>-</u> | <u>1,078,786</u> | <u>1,032,563</u> | <u>-</u> | <u>1,032,563</u> |
| Total expenses | <u>4,262,780</u> | <u>-</u> | <u>4,262,780</u> | <u>4,140,988</u> | <u>-</u> | <u>4,140,988</u> |
| Increase (decrease) in net assets | (25,717) | (148,446) | (174,163) | 110,298 | (415,500) | (305,202) |
| Net assets at beginning of year | <u>1,036,560</u> | <u>726,749</u> | <u>1,763,309</u> | <u>926,262</u> | <u>1,142,249</u> | <u>2,068,511</u> |
| Net assets at end of year | <u>\$ 1,010,843</u> | <u>578,303</u> | <u>1,589,146</u> | <u>1,036,560</u> | <u>726,749</u> | <u>1,763,309</u> |

See accompanying notes to financial statements.

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

Statements of Cash Flows

For the Years Ended June 30, 2011 and 2010

| | 2011 | 2010 |
|--|--------------|-----------|
| Cash flows from operating activities: | | |
| Cash from contributions and special fundraising events | \$ 3,625,653 | 3,142,085 |
| Cash from program services – education workshops | 118,233 | 168,856 |
| Cash received under revenue sharing agreement | 727,403 | 861,268 |
| Cash from other grants | 23,600 | 16,550 |
| Interest and dividends received | 21,053 | 19,418 |
| Miscellaneous receipts | 4,227 | 2,124 |
| Operating receipts | 4,520,169 | 4,210,301 |
| Cash paid to and for the benefit of employees | 2,963,236 | 2,832,939 |
| Cash paid under revenue sharing agreement | 271,680 | 255,431 |
| Cash paid to vendors | 1,214,373 | 1,224,968 |
| Grants paid | 1,872 | 2,452 |
| Operating disbursements | 4,451,161 | 4,315,790 |
| Net cash flows from operating activities | 69,008 | (105,489) |
| Cash flows from investing activities: | | |
| Sale of investments | 4,534 | 4,500 |
| Purchase of investments | (19,893) | (16,852) |
| Purchase of property, equipment and software | (11,868) | (22,923) |
| Net cash flows from investing activities | (27,227) | (35,275) |
| Cash flows from financing activities – | | |
| Principal payments on capital lease obligation | (23,851) | (55,036) |
| Net decrease in cash and cash equivalents | 17,930 | (195,800) |
| Cash and cash equivalents – beginning of year | 373,827 | 569,627 |
| Cash and cash equivalents – end of year | \$ 391,757 | 373,827 |

(continued)

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

Statements of Cash Flows (continued)

For the Years Ended June 30, 2011 and 2010

| | 2011 | 2010 |
|--|--------------|-----------|
| Reconciliation of change in net assets to cash flows from operating activities: | | |
| Change in net assets | \$ (174,163) | (305,202) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Bad debt | 76,907 | 113,741 |
| Depreciation and amortization | 74,211 | 113,346 |
| Realized (gains) losses on investments | (28,645) | 2,509 |
| Unrealized gains on investments | (48,886) | (44,878) |
| Investments received by contribution | (10,593) | - |
| Increase/(decrease) in cash due to changes in: | | |
| Contributions receivable | 114,779 | 34,404 |
| Grants receivable | 67,248 | 110,291 |
| Other receivable | 4,383 | (3,857) |
| Prepaid expenses and other assets | 12,145 | 7,315 |
| Accounts payable | 19,031 | (19,789) |
| Accrued expenses | (5,808) | (8,255) |
| Deferred revenue | (20,900) | 23,000 |
| Due from National – Cash | 95,129 | (143,381) |
| Due from National – Pledges | (105,830) | 15,267 |
| Total adjustments | 243,171 | 199,713 |
| Net cash flows from operating activities | \$ 69,008 | (105,489) |
| Supplemental cash flow information | | |
| Interest paid on capital lease obligation | \$ 334 | 3,004 |
| Disposal of fully depreciated property, equipment and software | \$ - | 2,883 |

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, 2011

| | Patient and Family Services | Public Awareness/ Education | Public Policy | Total Program Services | Management and General | Fund Raising | Total Support Services | Total |
|---|-----------------------------------|-----------------------------------|------------------|------------------------------|------------------------------|-----------------|------------------------------|------------------|
| Salaries and wages | \$ 749,767 | 926,985 | 37,842 | 1,714,594 | 168,433 | 450,456 | 618,889 | 2,333,483 |
| Payroll taxes and other employee benefits | 285,452 | 165,132 | 6,887 | 457,471 | 45,650 | 116,519 | 162,169 | 619,640 |
| Accounting fees | 8,120 | 8,120 | – | 16,240 | 2,030 | 2,030 | 4,060 | 20,300 |
| Outside/contract labor | 8,072 | 30,300 | 41,000 | 79,372 | 1,521 | 2,579 | 4,100 | 83,472 |
| Office supplies | 20,526 | 26,526 | 52 | 47,104 | 4,701 | 5,009 | 9,710 | 56,814 |
| Telephone | 40,931 | 39,803 | 2 | 80,736 | 9,858 | 9,931 | 19,789 | 100,525 |
| Postage | 7,864 | 10,042 | (28) | 17,878 | 451 | 1,401 | 1,852 | 19,730 |
| Occupancy/utilities/insurance | 180,574 | 180,018 | – | 360,592 | 44,882 | 45,862 | 90,744 | 451,336 |
| Equipment rental and maintenance | 14,841 | 14,840 | – | 29,681 | 3,710 | 3,710 | 7,420 | 37,101 |
| Printing and publications/newsletter | 7,231 | 68,301 | 681 | 76,213 | 771 | 771 | 1,542 | 77,755 |
| Advertising/publicity/promotion | 139 | 58,156 | 682 | 58,977 | – | 277 | 277 | 59,254 |
| Books/library purchases | 2,996 | 949 | – | 3,945 | 58 | 115 | 173 | 4,118 |
| Conferences, conventions and meetings | 3,827 | 20,292 | 2,072 | 26,191 | 764 | 860 | 1,624 | 27,815 |
| Staff development – dues and subscriptions | 2,933 | 1,734 | 700 | 5,367 | 276 | 576 | 852 | 6,219 |
| Travel | 27,870 | 22,476 | 5,527 | 55,873 | 3,396 | 7,185 | 10,581 | 66,454 |
| Grants – specific assistance to individuals | 1,682 | 190 | – | 1,872 | – | – | – | 1,872 |
| Interest/bank charges | 8,846 | 8,847 | – | 17,693 | 2,212 | 2,212 | 4,424 | 22,117 |
| Miscellaneous | 1,562 | 974 | 672 | 3,208 | 243 | 243 | 486 | 3,694 |
| Bad debt | – | – | – | – | 76,907 | – | 76,907 | 76,907 |
| Donated services, materials and advertising | 71,618 | – | – | 71,618 | – | 48,345 | 48,345 | 119,963 |
| Depreciation and amortization | 29,685 | 29,684 | – | 59,369 | 7,421 | 7,421 | 14,842 | 74,211 |
| | \$ <u>1,474,536</u> | <u>1,613,369</u> | <u>96,089</u> | <u>3,183,994</u> | <u>373,284</u> | <u>705,502</u> | <u>1,078,786</u> | <u>4,262,780</u> |

See accompanying notes to financial statements.

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

Statement of Functional Expenses

For the Year Ended June 30, 2010

| | Patient and Family Services | Public Awareness/ Education | Public Policy | Total Program Services | Management and General | Fund Raising | Total Support Services | Total |
|---|-----------------------------------|-----------------------------------|------------------|------------------------------|------------------------------|-----------------|------------------------------|------------------|
| Salaries and wages | \$ 929,257 | 738,668 | 36,205 | 1,704,130 | 189,556 | 366,273 | 555,829 | 2,259,959 |
| Payroll taxes and other employee benefits | 263,414 | 151,416 | 5,746 | 420,576 | 50,504 | 89,170 | 139,674 | 560,250 |
| Accounting fees | 7,840 | 7,840 | – | 15,680 | 1,960 | 1,960 | 3,920 | 19,600 |
| Bad debt | – | – | – | – | 113,741 | – | 113,741 | 113,741 |
| Outside/contract labor | 3,502 | 44,621 | 33,100 | 81,223 | 875 | 875 | 1,750 | 82,973 |
| Office supplies | 21,675 | 27,561 | 209 | 49,445 | 4,407 | 4,426 | 8,833 | 58,278 |
| Telephone | 38,644 | 38,309 | – | 76,953 | 9,527 | 9,551 | 19,078 | 96,031 |
| Postage | 7,582 | 9,944 | 120 | 17,646 | 512 | 1,197 | 1,709 | 19,355 |
| Occupancy/utilities/insurance | 178,448 | 177,936 | – | 356,384 | 44,484 | 44,484 | 88,968 | 445,352 |
| Equipment rental and maintenance | 13,986 | 13,985 | – | 27,971 | 3,496 | 3,496 | 6,992 | 34,963 |
| Printing and publications/newsletter | 6,628 | 49,746 | – | 56,374 | 715 | 769 | 1,484 | 57,858 |
| Advertising/publicity/promotion | 246 | 55,427 | – | 55,673 | – | 30 | 30 | 55,703 |
| Books/library purchases | 5,131 | 1,212 | 350 | 6,693 | 44 | 44 | 88 | 6,781 |
| Conferences, conventions and meetings | 9,188 | 16,902 | 594 | 26,684 | 775 | 919 | 1,694 | 28,378 |
| Staff development – dues and subscriptions | 1,699 | 828 | – | 2,527 | 62 | 817 | 879 | 3,406 |
| Travel | 17,058 | 14,423 | 5,759 | 37,240 | 1,420 | 4,949 | 6,369 | 43,609 |
| Grants – specific assistance to individuals | 2,182 | 270 | – | 2,452 | – | – | – | 2,452 |
| Interest/bank charges | 11,726 | 11,726 | – | 23,452 | 2,932 | 2,932 | 5,864 | 29,316 |
| Miscellaneous | 530 | 169 | – | 699 | 42 | 42 | 84 | 783 |
| Donated services, materials and advertising | 55,946 | – | – | 55,946 | – | 52,907 | 52,907 | 108,853 |
| Depreciation and amortization | 45,339 | 45,338 | – | 90,677 | 11,335 | 11,335 | 22,670 | 113,347 |
| | \$ <u>1,620,021</u> | <u>1,406,321</u> | <u>82,083</u> | <u>3,108,425</u> | <u>436,387</u> | <u>596,176</u> | <u>1,032,563</u> | <u>4,140,988</u> |

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2011 and 2010

(1) Nature of Business and Significant Accounting Policies

(a) Organization

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

(b) Revenue Recognition

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

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

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

(c) Expense Allocation

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

(d) Cash and Cash Equivalents

For purposes of the statements of cash flows, 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 DISEASE AND RELATED DISORDERS ASSOCIATION,
GREATER ILLINOIS CHAPTER**

Notes to Financial Statements

(e) Investment Valuation and Income recognition

Alzheimer's investments are stated at fair value as determined by quoted market prices. Fair value 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. See Note 3 for discussion of fair value measurements.

Purchases and sales of securities are recorded on trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

(f) Property, Equipment and Software

Purchased property, equipment and software with a cost greater than \$500 are capitalized at cost. Donated items are capitalized upon receipt at their estimated fair value. Fixed assets are depreciated over their estimated useful lives using the straight-line method. Software is amortized over a three year period using the straight-line method. Depreciation and amortization expense begin in the month the item is purchased.

(g) Accounting 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. Accordingly, actual results could differ from those estimates.

(h) Income Taxes

Alzheimer's is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation. Alzheimer's activities are included with informational tax returns filed by National.

Alzheimer's accounts for uncertainty in income taxes under the authoritative guidance issued by the Financial Accounting Standards Board ("FASB"). Alzheimer's uses a threshold of more-likely-than-not to be sustained upon examination to account for uncertainty income taxes. Measurement of the tax uncertainty occurs if the recognition threshold has not been met. This guidance also addresses de-recognition, classification, interest and penalties, disclosure, and transition. Alzheimer's conducts business solely in the U.S. and, as a result, files income tax returns for U.S., and the state of Illinois. In the normal course of business Alzheimer's is subject to examination by taxing authorities. Alzheimer's tax returns for years subsequent to June 30, 2008 are open, by statute, for review by authorities. However, at present, there are no ongoing income tax audits or unresolved disputes with the various tax authorities that Alzheimer's currently files or has filed with.

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

Notes to Financial Statements

(i) Fair Value Measurements

Under authoritative guidance issued by the Financial Accounting Standards Board (FASB), fair value is defined as 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. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The fair value hierarchy is categorized into three levels based on the inputs as follows:

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

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies consistently used for assets measured at fair value.

Investments in mutual and money market funds: Valued at the net asset value (NAV) of shares held by Alzheimer's at year end.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Alzheimer's believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(2) Contributions Receivable

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

| | | |
|---|-------------------|----------------|
| | 2011 | 2010 |
| Due within one year | \$ 160,242 | 267,144 |
| Due from one to five years | 5,125 | 17,196 |
| Total | 165,367 | 284,340 |
| Less allowance for uncollectible accounts | (3,830) | (8,024) |
| Net contributions receivable | \$ <u>161,537</u> | <u>276,316</u> |

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

Notes to Financial Statements

(3) Investments and Fair Value Measurements

The investments are presented in the financial statements at fair value using fair value measures. The money market funds are considered cash equivalents-institutional and all mutual funds are categorized as Level 1. At June 30, 2011 and 2010, investments consisted of the following:

| | | <u>2011</u> | <u>2010</u> |
|---------------------------|----|-----------------------|-----------------------|
| Money market funds | \$ | <u>101,266</u> | <u>201,126</u> |
| Mutual funds: | | | |
| U.S. equity large | | 193,308 | 148,543 |
| U.S. equity mid/small | | 82,846 | 65,108 |
| International equity | | 118,190 | 50,097 |
| Bonds – short-term | | 52,553 | 65,840 |
| Bonds – intermediate-term | | 218,190 | 70,964 |
| Bonds – long-term | | <u>–</u> | <u>61,192</u> |
| Total mutual funds | | <u>665,087</u> | <u>461,744</u> |
| Total | \$ | <u><u>766,353</u></u> | <u><u>662,870</u></u> |

(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 at least reasonably 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 skilled services and materials for the annual Memory Walks and educational events. These items were allocated by management as follows for the years ended June 30:

| | | <u>2011</u> | <u>2010</u> |
|---|----|-----------------------|-----------------------|
| Public awareness educational communications | \$ | 71,618 | 55,946 |
| Fundraising | | <u>48,345</u> | <u>52,907</u> |
| | \$ | <u><u>119,963</u></u> | <u><u>108,853</u></u> |

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

(6) Property, Equipment and Software

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

| | | 2011 | 2010 |
|---|----|-----------|-----------|
| Equipment | \$ | 273,678 | 261,810 |
| Furniture | | 136,661 | 136,661 |
| Leasehold improvements | | 190,465 | 190,465 |
| Software | | 3,505 | 3,505 |
| | | 604,309 | 592,441 |
| Less accumulated depreciation and amortization | | (458,304) | (384,093) |
| | \$ | 146,005 | 208,348 |

(7) Capital Lease

Alzheimer's had a capital lease agreement with a financing company for office furniture and other equipment. The amount of capital lease assets included in property, equipment and software was \$160,007 as of June 30, 2011. The capital lease assets were fully amortized as of June 30, 2011. This agreement required monthly payments of \$4,837, including interest at 4.66%, through November 2010.

(8) Operating Leases

Alzheimer's has entered into various non-cancelable operating lease agreements for the rental of office facilities and office equipment which expire at various dates through October 2018. Rent expense related to these leases for the years ended June 30, 2011 and 2010 was \$418,054 and \$399,187, respectively. Future minimum annual rentals for leases executed as of June 30, 2011 are as follows:

| Year ending June 30 | |
|---------------------|------------|
| 2012 | \$ 272,816 |
| 2013 | 269,625 |
| 2014 | 256,787 |
| 2015 | 190,558 |
| 2016 | 170,335 |
| Beyond | 233,733 |

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 \$168,000. The letter of credit expired in July 2011 and has subsequently been extended to July 2012 at a reduced amount of \$112,000. There have been no draws on the letter of credit as of June 30, 2011.

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(9) Retirement Plan

Alzheimer's sponsors a retirement plan under the provisions of Internal Revenue Code Section 403(b). This plan allows employees, through payroll deduction, to contribute a portion of their salary to the plan. The plan also allows matching and other employer contributions. Alzheimer's discontinued the employer match in March 2009.

(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:

| | 2011 | 2010 |
|---------------------------------------|------------|-----------|
| <u>Revenue sharing activity:</u> | | |
| Due from National – Beginning Balance | \$ 457,437 | 443,064 |
| Payments received from National | (727,403) | (861,268) |
| Payments made to National | 271,680 | 255,431 |
| Shared contributions, net | 479,079 | 732,814 |
| Bad debt expense from National | (76,829) | (113,741) |
| Other | (12,733) | 1,137 |
| Due from National – Ending Balance | \$ 391,231 | 457,437 |

(11) Temporarily Restricted Net Assets

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

| | 2011 | 2010 |
|----------------------------------|------------|---------|
| <u>Restricted as to time:</u> | | |
| Contributions receivable | \$ 125,246 | 212,786 |
| Due from National – Pledges | 185,772 | 156,849 |
| Memory Walk | 217,084 | 184,751 |
| Grants receivable | – | 9,795 |
| <u>Restricted as to purpose:</u> | | |
| Palliative Care | – | 81,309 |
| Chapter programs | 14,180 | 36,884 |
| Care Navigation | 20,721 | 27,233 |
| Clinic Studies Initiative | 2,300 | 10,000 |
| BRFSS Initiative | 13,000 | – |
| Board development | – | 7,142 |
| | \$ 578,303 | 726,749 |

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(12) Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the statement of financial position but arose after that date (that is, non-recognized subsequent events).

Alzheimer's has evaluated subsequent events through September 9, 2011, which was the date that these financial statements were available for issuance, and determined that there were no significant non-recognized subsequent events through that date.