

**ALZHEIMER'S DISEASE AND  
RELATED DISORDER ASSOCIATION, INC.  
MID SOUTH CHAPTER  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2007 AND 2006**

ALZHEIMER'S DISEASE AND RELATED DISORDER ASSOCIATION, INC.  
MID SOUTH CHAPTER  
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AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2007 AND 2006

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# BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To The Board of Directors  
Alzheimer's Disease and Related Disorder Association, Inc.  
Mid South Chapter

We have audited the accompanying statements of financial position of Alzheimer's Disease and Related Disorder Association, Inc., Mid South Chapter (the "Chapter") as of June 30, 2007 and 2006 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Chapter'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 audits 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 Disorder Association, Inc., Mid South Chapter as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Blankenship CPA Group, PLLC*

September 7, 2007

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To The Board of Directors  
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Mid South Chapter

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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alzheimer's Disease and Related Disorder Association, Inc., Mid South Chapter as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Blankenship CPA Group, PLLC*

September 7, 2007

ALZHEIMER'S DISEASE AND RELATED DISORDER ASSOCIATION, INC.  
MID SOUTH CHAPTER  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2007 AND 2006

	2007	2006
<b>ASSETS</b>		
Current assets:		
Cash	\$ 350,195	\$ 333,325
Grants and other receivables (note 3)	160,835	33,401
Inventory (note 4)	78,517	57,903
Prepaid expenses	<u>9,554</u>	<u>10,794</u>
Total current assets	599,101	435,423
Equipment, net (note 5)	<u>14,365</u>	<u>11,520</u>
Total assets	<u><u>\$ 613,466</u></u>	<u><u>\$ 446,943</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 6,032	\$ 34,800
Deferred revenue	<u>-</u>	<u>35,919</u>
Total current liabilities	6,032	70,719
Net assets:		
Unrestricted net assets	591,694	376,224
Temporarily restricted net assets	<u>15,740</u>	<u>-</u>
Total net assets	<u>607,434</u>	<u>376,224</u>
Total liabilities and net assets	<u><u>\$ 613,466</u></u>	<u><u>\$ 446,943</u></u>

The accompanying notes are an integral part of these financial statements.

ALZHEIMER'S DISEASE AND RELATED DISORDER ASSOCIATION, INC.  
MID SOUTH CHAPTER  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2007 AND 2006

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and other support						
Fundraising, net of expenses	\$ 638,445	\$ -	\$ 638,445	\$ 507,478	\$ -	\$ 507,478
Contributions and memorials	215,559	-	215,559	219,951	-	219,951
Donated services and materials (note 6)	183,156	-	183,156	147,984	-	147,984
Grants	20,217	57,335	77,552	11,440	38,600	50,040
Corporate gifts	54,455	-	54,455	38,757	-	38,757
United Way	51,070	-	51,070	63,696	-	63,696
Program income	38,297	13,500	51,797	29,139	-	29,139
Combined federal campaign	46,701	-	46,701	65,122	-	65,122
Interest income	5,767	-	5,767	5,585	-	5,585
Book and tape sales	3,772	-	3,772	174	-	174
Miscellaneous	265	-	265	523	-	523
Membership dues	25	-	25	1,034	-	1,034
Net assets released from restrictions	55,095	(55,095)	-	46,845	(46,845)	-
Total revenues and other support	1,312,824	15,740	1,328,564	1,137,728	(8,245)	1,129,483
Expenses						
Program services	873,963	-	873,963	874,435	-	874,435
Support services						
Management and general	45,430	-	45,430	46,675	-	46,675
Fundraising	177,961	-	177,961	190,272	-	190,272
Total expenses	1,097,354	-	1,097,354	1,111,382	-	1,111,382
CHANGE IN NET ASSETS	215,470	15,740	231,210	26,346	(8,245)	18,101
NET ASSETS, BEGINNING OF THE YEAR	376,224	-	376,224	349,878	8,245	358,123
NET ASSETS, END OF THE YEAR	\$ 591,694	\$ 15,740	\$ 607,434	\$ 376,224	\$ -	\$ 376,224

The accompanying notes are an integral part of these financial statements.

ALZHEIMER'S DISEASE AND RELATED DISORDER ASSOCIATION, INC.  
MID SOUTH CHAPTER  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2007 AND 2006

	Program Services	Management and General	Fundraising	Total 2007	Total 2006
Other salaries and wages	\$ 339,426	\$ 26,449	\$ 74,938	\$ 440,813	\$ 440,254
Other employee benefits	58,834	4,585	12,989	76,408	84,227
Compensation of officers	<u>42,350</u>	<u>3,300</u>	<u>9,350</u>	<u>55,000</u>	<u>64,900</u>
Total Salaries and Benefits	440,610	34,334	97,277	572,221	589,381
Dues to national	101,803	-	-	101,803	86,145
Occupancy	70,681	5,508	15,605	91,794	90,432
Printing and publications	29,045	102	17,314	46,461	62,804
Travel	31,921	555	8,331	40,807	28,598
Postage	37,350	235	3,181	40,766	59,232
Respite payments	35,019	-	60	35,079	37,722
Supplies	22,812	1,348	4,870	29,030	22,306
Advertising	19,661	180	2,384	22,225	16,229
Telephone	20,209	341	1,007	21,557	20,577
Professional fees	15,771	543	4,878	21,192	27,665
Conferences and meetings	8,966	20	9,943	18,929	22,232
Equipment maintenance	15,109	686	1,942	17,737	14,331
Insurance	13,101	1,021	2,892	17,014	16,601
Miscellaneous	3,766	262	6,094	10,122	4,099
Volunteer and staff training	4,787	34	1,443	6,264	4,547
Depreciation	<u>3,352</u>	<u>261</u>	<u>740</u>	<u>4,353</u>	<u>8,481</u>
	<u>\$ 873,963</u>	<u>\$ 45,430</u>	<u>\$ 177,961</u>	<u>\$ 1,097,354</u>	<u>\$ 1,111,382</u>

The accompanying notes are an integral part of these financial statements.

ALZHEIMER'S DISEASE AND RELATED DISORDER ASSOCIATION, INC.  
MID SOUTH CHAPTER  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from contributions	\$ 896,497	\$ 956,163
Grants	41,315	45,442
Cash from program services	48,297	29,139
Corporate gifts	57,955	38,757
Interest received	5,767	5,585
Cash from membership dues	25	1,034
Cash from book and tape sales	3,772	174
Miscellaneous	265	523
Cash paid to vendors	(534,012)	(566,284)
Cash paid to employees	(495,813)	(505,154)
	<u>24,068</u>	<u>5,379</u>
<b>Net Cash Provided By Operating Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from certificate of deposit	-	200,000
Purchase of equipment	(7,198)	(2,409)
	<u>(7,198)</u>	<u>197,591</u>
<b>Net Cash Provided (Used) By Investing Activities</b>		
<b>NET INCREASE IN CASH</b>	16,870	202,970
<b>CASH, BEGINNING OF YEAR</b>	<u>333,325</u>	<u>130,355</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 350,195</u></u>	<u><u>\$ 333,325</u></u>
 Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 231,210	\$ 18,101
Adjustments to reconcile increase in net cash provided by operating activities:		
Depreciation	4,353	8,481
Increase in grants and other receivables	(127,434)	(13,922)
Increase in inventory	(20,614)	(370)
(Increase) decrease in prepaid expenses	1,240	(6,292)
Decrease in accounts payable and accrued expenses	(28,768)	(6,773)
Increase (decrease) in deferred revenue	(35,919)	6,154
	<u>24,068</u>	<u>5,379</u>
<b>Net Cash Provided By Operating Activities</b>	<u><u>\$ 24,068</u></u>	<u><u>\$ 5,379</u></u>

The accompanying notes are an integral part of these financial statements.



ALZHEIMER'S DISEASE AND RELATED DISORDER ASSOCIATION, INC.  
MID SOUTH CHAPTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

**NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS**

The Alzheimer's Disease and Related Disorder Association, Inc., Mid South Chapter (the "Chapter") is a not-for-profit organization with offices in Nashville, Tullahoma and Memphis, Tennessee and Huntsville, Alabama. The Chapter is an Affiliate of the Alzheimer's Disease and Related Disorders Association, Inc. The purpose of the Chapter is to further the causes of patients and their families through education, guidance and support of research.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the Chapter have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities, in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Chapter is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donated Material and Services

Contributions of donated materials that are usable for program services, fund raising, support of management and general functions are recorded at their fair values in the period received.

Cash and Cash Equivalents

Cash equivalents include time deposits, certificates of deposits, and all highly liquid debt instruments with original maturities of three months or less. Cash and cash equivalents during the year may exceed Federal Deposit Insurance Corporation ("FDIC") limits.

Grants and Other Receivables

Grants and other receivables consist of the amounts described in note 3 and are considered by management to be collectible.

ALZHEIMER'S DISEASE AND RELATED DISORDER ASSOCIATION, INC.  
MID SOUTH CHAPTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory Valuation

Inventory is stated at the lower of cost, determined by the first-in, first-out method, or market. The major classes are books, tapes and office supplies.

Advertising

The Chapter's advertising is non-direct and the costs are expensed as incurred. The Chapter incurred \$64,900 and \$41,305 of advertising expense in 2007 and 2006, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein and the disclosures of commitments and contingencies. Accordingly, actual results could differ from those estimates.

Income Taxes

The Chapter is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

NOTE 3 - GRANTS AND OTHER RECEIVABLES

As of June 30, 2007 and 2006, grants and other receivables consisted of:

	2007	2006
Estate of Bascom Cooksey, Jr.	\$ 100,000	\$ -
Aging commissions of the Mid-South	44,023	21,098
State of Tennessee	7,462	-
Others	<u>9,350</u>	<u>12,303</u>
Total grants and other receivables	<u>\$ 160,835</u>	<u>\$ 33,401</u>

ALZHEIMER'S DISEASE AND RELATED DISORDER ASSOCIATION, INC.  
MID SOUTH CHAPTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2007 AND 2006

**NOTE 4 - INVENTORY**

Inventory consists of the following:

	2007	2006
Books and videos	\$ 68,925	\$ 43,445
Brochures	-	4,590
Office supplies	<u>9,592</u>	<u>9,868</u>
Total inventory	<u>\$ 78,517</u>	<u>\$ 57,903</u>

**NOTE 5 - EQUIPMENT**

Purchased equipment is recorded at cost and donated equipment is recorded at fair market value. The Chapter capitalizes all equipment over \$500. Depreciation is provided over the estimated useful lives of the assets ranging from three to five years and computed on a straight-line basis.

Equipment consists of the following:

	2007	2006
Equipment	\$ 82,771	\$ 75,572
Less: Accumulated depreciation	<u>(68,406)</u>	<u>(64,052)</u>
Equipment, net	<u>\$ 14,365</u>	<u>\$ 11,520</u>

Depreciation expense for the years ended June 30, 2007 and 2006 amounted to \$4,353 and \$8,481, respectively.

**NOTE 6 - DONATED SERVICES AND MATERIALS**

Donated services and materials ("in-kind" contributions) included in the statement of activities are as follows:

	2007	2006
Contributions in-kind:		
Silent auction items	\$ 75,701	\$ 67,652
Fundraising	50,425	35,432
Occupancy	31,200	31,200
Education	13,650	1,650
Advertising	6,250	6,250
Supplies	4,430	-
Professional services	<u>1,500</u>	<u>5,800</u>
Total donated services and materials	<u>\$ 183,156</u>	<u>\$ 147,984</u>

ALZHEIMER'S DISEASE AND RELATED DISORDER ASSOCIATION, INC.  
MID SOUTH CHAPTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2007 AND 2006

**NOTE 7 - EMPLOYEE BENEFIT PROGRAM**

Effective July 1, 2003, the Chapter adopted a Savings Incentive Match Plan (SIMPLE) for eligible employees. Employees are eligible to participate in the Plan upon their date of hire. Contributions made by the participants are matched by the Chapter at a rate of 1.0 to 1.0; not to exceed 3% of the employees compensation. Effective October 1, 2005, the Chapter decreased the rate of the match to not exceed 1% of the employees compensation. If employees do not make elective deferrals to the Plan, the Chapter will not make a matching contribution. The Chapter incurred expenses of \$1,270 and \$2,018 related to this Plan in 2007 and 2006, respectively.

**NOTE 8 - LEASE COMMITMENTS**

The Chapter leases certain offices under operating leases that expire over various terms through 2010. Rent amounted to \$57,368 for the year ended June 30, 2007 and \$61,350 for 2006.

Future minimum rental payments required under all operating leases in effect at June 30, 2007 are as follows:

<u>Year Ending June 30,</u>	
2008	\$ 30,401
2009	12,000
2010	<u>12,000</u>
Total	<u>\$ 54,401</u>