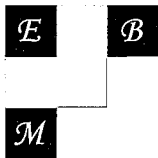


**ALZHEIMER'S DISEASE AND
RELATED DISORDER ASSOCIATION, INC.
MID SOUTH CHAPTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2008 AND 2007**

**ALZHEIMER'S DISEASE AND RELATED DISORDER ASSOCIATION, INC.
MID SOUTH CHAPTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2008 AND 2007**

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Edmondson, Betzler & Montgomery, PLLC
(Certified Public Accountants)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Alzheimer's Disease and Related Disorder Association, Inc., Mid South Chapter (the "Chapter") as of June 30, 2008, and the related statement of activities, functional expenses, and cash flows for the year 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 audit. The financial statements for 2007 were audited by other auditors whose report dated September 7, 2007, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alzheimer's Disease and Related Disorder Association, Inc., Mid South Chapter as of June 30, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Edmondson, Betzler & Montgomery, PLLC

September 10, 2008

ALZHEIMER'S DISEASE AND RELATED DISORDER ASSOCIATION, INC.
MID SOUTH CHAPTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

	2008	2007
ASSETS		
Current assets:		
Cash	\$ 688,292	\$ 350,195
Grants and other receivables (note 3)	145,667	160,835
Inventory (note 4)	95,862	78,517
Prepaid expenses	<u>5,715</u>	<u>9,554</u>
Total current assets	935,536	599,101
Equipment, net (note 5)	<u>22,275</u>	<u>14,365</u>
Total assets	<u><u>\$ 957,811</u></u>	<u><u>\$ 613,466</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 10,208</u>	<u>\$ 6,032</u>
Total current liabilities	<u>10,208</u>	<u>6,032</u>
Net assets:		
Unrestricted net assets	874,603	591,694
Temporarily restricted net assets	<u>73,000</u>	<u>15,740</u>
Total net assets	<u>947,603</u>	<u>607,434</u>
Total liabilities and net assets	<u><u>\$ 957,811</u></u>	<u><u>\$ 613,466</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, 2008 AND 2007

	2008			2007		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support						
Fundraising	\$ 900,467	\$ -	\$ 900,467	\$ 764,571	\$ -	\$ 764,571
Contributions and memorials	209,536	-	209,536	234,214	-	234,214
Corporate gifts	49,076	-	49,076	39,300	-	39,300
United Way	48,746	-	48,746	51,070	-	51,070
Combined federal campaign	46,286	-	46,286	46,701	-	46,701
Total contributions received	1,254,111	-	1,254,111	1,135,856	-	1,135,856
Contributions received indirectly from the National Association	392,432	-	392,432	-	-	-
Less amounts remitted to the National Association under a shared fundraising agreement	(536,181)	-	(536,181)	-	-	-
Net contribution revenue	1,110,362	-	1,110,362	1,135,856	-	1,135,856
Donated services and materials (note 6)	225,589	-	225,589	183,156	-	183,156
Grants	81,860	26,341	108,201	71,702	5,850	77,552
Program income	22,009	-	22,009	37,198	10,000	47,198
Interest income	8,844	-	8,844	5,767	-	5,767
Miscellaneous	534	-	534	280	-	280
Book and tape sales	296	-	296	4,871	-	4,871
Net assets released from restrictions	27,376	(27,376)	-	110	(110)	-
Total revenues and other support	1,476,870	(1,035)	1,475,835	1,438,940	15,740	1,454,680
Expenses						
Program services	1,026,297	-	1,026,297	873,963	-	873,963
Management and general	65,613	-	65,613	45,430	-	45,430
Fundraising	323,833	-	323,833	304,077	-	304,077
Total expenses	1,415,743	-	1,415,743	1,223,470	-	1,223,470
CHANGE IN NET ASSETS	61,127	(1,035)	60,092	215,470	15,740	231,210
EQUITY TRANSFER (note 9)	221,782	58,295	280,077	-	-	-
NET ASSETS, BEGINNING OF THE YEAR	591,694	15,740	607,434	376,224	-	376,224
NET ASSETS, END OF THE YEAR	<u>\$ 874,603</u>	<u>\$ 73,000</u>	<u>\$ 947,603</u>	<u>\$ 591,694</u>	<u>\$ 15,740</u>	<u>\$ 607,434</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 FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2008 AND 2007

	Program Services	Management and General	Fundraising	Total 2008	Total 2007
Other salaries and wages	\$ 419,569	\$ 32,694	\$ 92,632	\$ 544,895	\$ 440,813
Other employee benefits	76,334	5,948	16,853	99,135	76,408
Compensation of officers	<u>47,740</u>	<u>3,720</u>	<u>10,540</u>	<u>62,000</u>	<u>55,000</u>
 Total Salaries and Benefits	 543,643	 42,362	 120,025	 706,030	 572,221
 Advertising	 104,426	 -	 65,313	 169,739	 64,900
Occupancy	109,790	4,815	13,701	128,306	91,794
Printing and publications	42,054	-	18,348	60,402	46,461
Supplies	21,458	1,511	31,562	54,531	112,471
Travel	36,789	941	12,234	49,964	40,807
Postage	33,794	492	8,683	42,969	40,766
Respite payments	41,348	-	421	41,769	35,079
Telephone	25,340	665	2,772	28,777	21,557
Conferences and meetings	6,341	26	21,581	27,948	18,929
Equipment maintenance	22,088	756	3,721	26,565	17,737
Professional fees	3,666	9,622	10,985	24,273	21,192
Insurance	15,248	1,188	3,366	19,802	17,014
Miscellaneous	7,230	2,623	6,055	15,908	10,122
Volunteer and staff training	7,871	206	3,916	11,993	6,264
Depreciation	5,211	406	1,150	6,767	4,353
Dues to national	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,803</u>
	<u><u>\$ 1,026,297</u></u>	<u><u>\$ 65,613</u></u>	<u><u>\$ 323,833</u></u>	<u><u>\$ 1,415,743</u></u>	<u><u>\$ 1,223,470</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 CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from contributions	\$ 1,198,848	\$ 896,497
Grants	129,557	41,315
Corporate gifts	49,076	57,955
Cash from program services	22,009	48,297
Interest received	8,845	5,767
Miscellaneous	534	290
Cash from book and tape sales	297	3,772
Cash paid to vendors	(729,574)	(534,012)
Cash paid to employees	(606,895)	(495,813)
	<u>72,697</u>	<u>24,068</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(8,374)	(7,198)
Equity transfer	273,774	-
	<u>265,400</u>	<u>(7,198)</u>
Net cash provided (used) by investing activities		
NET INCREASE IN CASH	338,097	16,870
CASH, BEGINNING OF YEAR	<u>350,195</u>	<u>333,325</u>
CASH, END OF YEAR	<u><u>\$ 688,292</u></u>	<u><u>\$ 350,195</u></u>
 Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 60,092	\$ 231,210
Adjustments to reconcile increase in net cash provided by operating activities:		
Depreciation	6,767	4,353
(Increase) decrease in grants and other receivables	15,168	(127,434)
Increase in inventory	(17,345)	(20,614)
Decrease in prepaid expenses	3,839	1,240
Increase (decrease) in accounts payable and accrued expenses	4,176	(28,768)
Decrease in deferred revenue	-	(35,919)
	<u>-</u>	<u>(35,919)</u>
Net cash provided by operating activities	<u><u>\$ 72,697</u></u>	<u><u>\$ 24,068</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, 2008 AND 2007

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, Chattanooga, Johnson City 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, 2008 AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory Valuation

Inventory is stated at the lower of cost or market, 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 \$169,739 and \$64,900 of advertising expense in 2008 and 2007, 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, 2008 and 2007, grants and other receivables consisted of:

	2008	2007
Estate of Bascom Cooksey, Jr.	\$ 100,000	\$ 100,000
State of Tennessee	19,792	7,462
Aging commissions of the Mid-South	16,188	44,023
Others	<u>9,687</u>	<u>9,350</u>
Total grants and other receivables	<u>\$ 145,667</u>	<u>\$ 160,835</u>

ALZHEIMER'S DISEASE AND RELATED DISORDER ASSOCIATION, INC.
MID SOUTH CHAPTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 4 - INVENTORY

Inventory consists of the following:

	2008	2007
Books and videos	\$ 81,572	\$ 68,925
Office supplies	<u>14,290</u>	<u>9,592</u>
Total inventory	<u>\$ 95,862</u>	<u>\$ 78,517</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:

	2008	2007
Equipment	\$ 141,154	\$ 82,771
Less: Accumulated depreciation	<u>(118,879)</u>	<u>(68,406)</u>
Equipment, net	<u>\$ 22,275</u>	<u>\$ 14,365</u>

Depreciation expense for the years ended June 30, 2008 and 2007 amounted to \$6,767 and \$4,353, respectively.

NOTE 6 - DONATED SERVICES AND MATERIALS

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

	Program Services	Management and General	Fundraising	Total 2008
Contributions in-kind:				
Advertising	\$ 81,712	\$ -	\$ 49,558	\$ 131,270
Occupancy	47,940	-	-	47,940
Supplies	3,797	-	25,707	29,504
Professional services	1,500	1,000	7,000	9,500
Education	<u>7,375</u>	<u>-</u>	<u>-</u>	<u>7,375</u>
Total contributions in-kind	<u>\$ 142,324</u>	<u>\$ 1,000</u>	<u>\$ 82,265</u>	<u>\$ 225,589</u>

ALZHEIMER'S DISEASE AND RELATED DISORDER ASSOCIATION, INC.
MID SOUTH CHAPTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 6 - DONATED SERVICES AND MATERIALS (CONTINUED)

	Program Services	Management and General	Fundraising	Total 2007
Contributions in-kind:				
Supplies	\$ 4,430	\$ -	\$ 83,251	\$ 87,681
Advertising	-	-	48,925	48,925
Occupancy	31,200	-	-	31,200
Education	13,850	-	-	13,850
Professional services	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
Total contributions in-kind	<u>\$ 50,980</u>	<u>\$ -</u>	<u>\$ 132,176</u>	<u>\$ 183,156</u>

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 \$2,211 and \$1,270 related to this Plan in 2008 and 2007, respectively.

NOTE 8 - LEASE COMMITMENTS

The Chapter leases certain offices under operating leases that expire over various terms through 2010. Rent amounted to \$72,338 for the year ended June 30, 2008 and \$57,368 for 2007.

Future minimum rental payments required under all operating leases in effect at June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	
2009	\$ 40,800
2010	40,800
2011	<u>14,400</u>
Total	<u>\$ 96,000</u>

NOTE 9 - EQUITY TRANSFER

Effective January 1, 2008, the Northeast/Southeast Tennessee Chapter was merged into the Mid South Chapter. The net assets of Northeast/Southeast Tennessee Chapter were \$280,077 as of January 1, 2008. These assets were transferred to Mid South Chapter as of January 1, 2008.