

**ALZHEIMER'S DISEASE AND RELATED
DISORDERS ASSOCIATION, INC.
MID SOUTH CHAPTER**

FINANCIAL STATEMENTS

June 30, 2012 and 2011

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION, INC.
MID SOUTH CHAPTER**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Alzheimer's Disease and Related Disorders Association, Inc.
Mid South Chapter
Nashville, Tennessee

We have audited the accompanying statements of financial position of Alzheimer's Disease and Related Disorders Association, Inc. - Mid South Chapter as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 the Alzheimer's Disease and Related Disorders Association, Inc. - Mid South Chapter as of June 30, 2012 and 2011, 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.

Frasier, Dean & Howard PLLC

September 21, 2012

ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION, INC.
MID SOUTH CHAPTER
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 273,762	\$ 359,552
Certificates of deposit	519,519	512,611
Grants and other receivables	338,799	52,497
Due from National Organization	81,035	67,830
Prepaid expenses	<u>2,991</u>	<u>1,780</u>
Total current assets	<u>1,216,106</u>	<u>994,270</u>
Property and equipment, net	<u>6,571</u>	<u>10,321</u>
Total assets	<u><u>\$ 1,222,677</u></u>	<u><u>\$ 1,004,591</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 63,198	\$ 25,727
Due to National Organization	<u>88,231</u>	<u>142,035</u>
Total liabilities	<u>151,429</u>	<u>167,762</u>
Net assets:		
Unrestricted	774,555	829,022
Temporarily restricted	<u>296,693</u>	<u>7,807</u>
Total net assets	<u>1,071,248</u>	<u>836,829</u>
Total liabilities and net assets	<u><u>\$ 1,222,677</u></u>	<u><u>\$ 1,004,591</u></u>

See accompanying notes to financial statements.

ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION, INC.

MID SOUTH CHAPTER

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support:			
Contributions and memorials	\$ 1,312,151	\$ 245,000	\$ 1,557,151
Fundraising and special events	108,255	-	108,255
Corporate and workplace gifts	101,969	-	101,969
Total contributions	1,522,375	245,000	1,767,375
Transfers from the National Organization	407,419	-	407,419
Less transfers to the National Organization	(611,436)	-	(611,436)
Net contribution revenue	1,318,358	245,000	1,563,358
Grants	106,279	51,693	157,972
Program income	35,042	-	35,042
Donated materials and services	29,206	-	29,206
Miscellaneous	11,590	-	11,590
Interest income	8,289	-	8,289
Book and tape sales	108	-	108
Net assets released from restrictions	7,807	(7,807)	-
Total revenue and other support	1,516,679	288,886	1,805,565
Expenses:			
Program services	1,199,677	-	1,199,677
Management and general	92,290	-	92,290
Fundraising	279,179	-	279,179
Total expenses	1,571,146	-	1,571,146
Change in net assets	(54,467)	288,886	234,419
Net assets, beginning of year	829,022	7,807	836,829
Net assets, end of year	<u>\$ 774,555</u>	<u>\$ 296,693</u>	<u>\$ 1,071,248</u>

See accompanying notes to financial statements.

ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION, INC.
MID SOUTH CHAPTER
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support:			
Fundraising and special events	\$ 962,484	\$ -	\$ 962,484
Contributions and memorials	405,623	7,807	413,430
Corporate and workplace gifts	230,935	-	230,935
	<hr/>	<hr/>	<hr/>
Total contributions	1,599,042	7,807	1,606,849
Transfers from the National Organization	367,085	-	367,085
Less transfers to the National Organization	(637,706)	-	(637,706)
	<hr/>	<hr/>	<hr/>
Net contribution revenue	1,328,421	7,807	1,336,228
	<hr/>	<hr/>	<hr/>
Donated materials and services	160,540	-	160,540
Program income	38,895	-	38,895
Grants	19,313	-	19,313
Interest income	10,682	-	10,682
Book and tape sales	3,132	-	3,132
Miscellaneous	1,455	-	1,455
Net assets released from restrictions	61,646	(61,646)	-
	<hr/>	<hr/>	<hr/>
Total revenue and other support	1,624,084	(53,839)	1,570,245
	<hr/>	<hr/>	<hr/>
Expenses:			
Program services	1,337,097	-	1,337,097
Management and general	89,864	-	89,864
Fundraising	295,002	-	295,002
	<hr/>	<hr/>	<hr/>
Total expenses	1,721,963	-	1,721,963
	<hr/>	<hr/>	<hr/>
Change in net assets	(97,879)	(53,839)	(151,718)
Net assets, beginning of year	926,901	61,646	988,547
	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 829,022</u>	<u>\$ 7,807</u>	<u>\$ 836,829</u>

See accompanying notes to financial statements.

ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION, INC.

MID SOUTH CHAPTER

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 610,943	\$ 42,790	\$ 138,671	\$ 792,404
Employee benefits	101,622	7,095	23,062	131,779
 Total salaries and benefits	 712,565	 49,885	 161,733	 924,183
 Occupancy	 70,784	 5,293	 17,155	 93,232
Conferences and meetings	68,953	3,698	14,294	86,945
Travel	62,159	4,221	14,108	80,488
Advertising	58,917	3,929	12,855	75,701
Professional fees	43,234	7,132	23,136	73,502
Supplies	42,474	2,996	9,737	55,207
Telephone	28,974	2,171	5,761	36,906
Equipment maintenance	25,906	1,853	5,887	33,646
Printing and publications	25,011	1,765	4,841	31,617
Postage	17,925	1,255	4,069	23,249
Miscellaneous	20,089	1,404	2,760	24,253
Respite payments	8,522	487	-	9,009
Insurance	6,370	446	1,446	8,262
Volunteer and staff training	4,903	353	740	5,996
Bad debt	-	5,200	-	5,200
Depreciation	2,891	202	657	3,750
	<u>\$ 1,199,677</u>	<u>\$ 92,290</u>	<u>\$ 279,179</u>	<u>\$ 1,571,146</u>

See accompanying notes to financial statements.

ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION, INC.
MID SOUTH CHAPTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 609,950	\$ 31,318	\$ 104,392	\$ 745,660
Employee benefits	122,366	6,283	20,943	149,592
Total salaries and benefits	732,316	37,601	125,335	895,252
Advertising	136,418	4,966	38,597	179,981
Occupancy	89,275	3,642	10,112	103,029
Supplies	56,100	3,806	40,627	100,533
Loss on obsolete inventory	81,860	-	-	81,860
Conferences and meetings	67,715	3,175	8,494	79,384
Professional fees	41,758	7,374	11,146	60,278
Travel	37,935	3,963	14,721	56,619
Golf tournament hosting fees	-	-	30,070	30,070
Telephone	25,824	1,039	2,820	29,683
Printing and publications	24,106	697	4,295	29,098
Respite payments	18,572	379	-	18,951
Postage	12,171	493	2,742	15,406
Equipment maintenance	1,202	10,215	601	12,018
Miscellaneous	1,536	5,121	1,878	8,535
Insurance	5,900	638	1,435	7,973
Depreciation	763	6,483	381	7,627
Volunteer and staff training	3,646	272	1,748	5,666
	<u>\$ 1,337,097</u>	<u>\$ 89,864</u>	<u>\$ 295,002</u>	<u>\$ 1,721,963</u>

See accompanying notes to financial statements.

ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION, INC.
MID SOUTH CHAPTER
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 234,419	\$ (151,718)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	3,750	7,627
(Increase) decrease in grants and other receivables	(286,302)	56,798
Decrease in inventory	-	91,884
Increase in due from National Organization	(13,205)	(2,680)
(Increase) decrease in prepaid expenses	(1,211)	2,881
Increase (decrease) in accounts payable and accrued expenses	37,471	(24,581)
(Decrease) increase in due to National Organization	<u>(53,804)</u>	<u>20,270</u>
Net cash (used in) provided by operating activities	<u>(78,882)</u>	<u>481</u>
Cash flows from investing activities:		
Purchases of certificates of deposit, net	(6,908)	(204,780)
Purchase of fixed assets	<u>-</u>	<u>(8,571)</u>
Net cash used in investing activities	<u>(6,908)</u>	<u>(213,351)</u>
Net decrease in cash and cash equivalents	(85,790)	(212,870)
Cash and cash equivalents, beginning of year	<u>359,552</u>	<u>572,422</u>
Cash and cash equivalents, end of year	<u><u>\$ 273,762</u></u>	<u><u>\$ 359,552</u></u>

See accompanying notes to financial statements.

ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION, INC.
MID SOUTH CHAPTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

General

The Alzheimer's Disease and Related Disorders 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 "National Organization"). The mission of the Chapter is 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 Chapter is supported primarily through donor contributions in Tennessee and Northern Alabama.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with standards of accounting and reporting prescribed for not-for-profit organizations. Under these standards, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Chapter and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Chapter. Generally, donors of these assets permit the Chapter to use all or part of the income earned for unrestricted or restricted purposes. The Chapter does not have any permanently restricted net assets recorded at June 30, 2012 or 2011.

ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION, INC.
MID SOUTH CHAPTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Chapter considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Certificates of Deposit

Certificates of deposit are reported at cost, which approximates market value at June 30, 2012 and 2011.

Grants and Other Receivables

Grants and other receivables consist of the amounts described in Note 2 and are considered by management to be fully collectible. Accordingly, an allowance has not been recorded at June 30, 2012 or 2011.

Property and Equipment

Purchases of property and equipment are recorded at cost and donated items are recorded at fair market value. The Chapter capitalizes all property and equipment with a cost or fair market value of \$500 or more. Depreciation is provided over the estimated useful lives of assets ranging from three to ten years and computed on a straight-line basis.

Contributions and Other Support

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

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION, INC.
MID SOUTH CHAPTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Other Support (Continued)

For the year ended June 30, 2012, the Chapter has recognized \$1,082,273 from their Walk to End Alzheimer's which has been included in contributions and memorials in the accompanying statement of activities. For the year ended June 30, 2011, the Chapter recognized \$738,677 from this event which has been recorded as fundraising and special events in the accompanying statement of activities.

Federal Income Taxes

No provision for federal income taxes is made in the accompanying financial statements, as the Chapter is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Chapter follows Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") guidance clarifying the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Chapter has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended June 30, 2009 through June 30, 2012.

Advertising

The Chapter's advertising is non-direct and the costs are expensed as incurred. The Chapter incurred \$75,701 and \$179,981 of advertising expense during the years ended June 30, 2012 and 2011, respectively.

Subsequent Events

The Chapter evaluated subsequent events through September 21, 2012, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the accompanying financial statements.

ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION, INC.
MID SOUTH CHAPTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 2 – GRANTS AND OTHER RECEIVABLES

Grants and other receivables consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Due from National Organization	\$ 1,028	\$ 47,297
Contributions	<u>337,771</u>	<u>5,200</u>
	<u>\$ 338,799</u>	<u>\$ 52,497</u>

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2012</u>	<u>2011</u>
Furniture and fixtures	\$ 28,727	\$ 28,727
Office equipment	67,639	67,639
Software	<u>7,602</u>	<u>7,602</u>
	103,968	103,968
Less accumulated depreciation	<u>(97,397)</u>	<u>(93,647)</u>
	<u>\$ 6,571</u>	<u>\$ 10,321</u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

The Chapter receives contributions for expenses associated with specific programs of the mission of the Chapter. These contributions are classified as temporarily restricted net assets until the restricted purpose has been fulfilled. The following represents a summary of the activity for the year ended June 30:

ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION, INC.
MID SOUTH CHAPTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

<u>Purpose</u>	<u>Balance at July 1, 2011</u>	<u>Contributions received from July 1, 2011 to June 30, 2012</u>	<u>Expended and/or released by specific purpose being fulfilled</u>	<u>Balance at June 30, 2012</u>
Cleveland, Tennessee Chapter	\$ -	\$ 245,000	\$ -	\$ 245,000
Community Caregiver Awareness	-	58,000	14,307	43,693
And Education Project	7,807	8,000	7,807	8,000
Grants	<u>7,807</u>	<u>8,000</u>	<u>7,807</u>	<u>8,000</u>
	<u>\$ 7,807</u>	<u>\$ 311,000</u>	<u>\$ 22,114</u>	<u>\$ 296,693</u>

<u>Purpose</u>	<u>Balance at July 1, 2010</u>	<u>Contributions received from July 1, 2010 to June 30, 2011</u>	<u>Expended and/or released by specific purpose being fulfilled</u>	<u>Balance at June 30, 2011</u>
Individual contributions	\$ 23,500	\$ -	\$ 23,500	\$ -
Other	38,146	-	38,146	-
Grants	<u>-</u>	<u>7,807</u>	<u>-</u>	<u>7,807</u>
	<u>\$ 61,646</u>	<u>\$ 7,807</u>	<u>\$ 61,646</u>	<u>\$ 7,807</u>

NOTE 5 – IN-KIND CONTRIBUTIONS

In-kind contributions included in the statement of activities are as follows at June 30, 2012:

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 9,205	\$ 449	\$ 1,572	\$ 11,225
Conferences and meetings	9,165	447	1,565	11,177
Professional fees	2,382	116	407	2,905
Supplies	2,091	102	357	2,550
Printing	<u>1,106</u>	<u>54</u>	<u>189</u>	<u>1,349</u>
	<u>\$ 23,949</u>	<u>\$ 1,168</u>	<u>\$ 4,089</u>	<u>\$ 29,206</u>

ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION, INC.
MID SOUTH CHAPTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 5 – IN-KIND CONTRIBUTIONS (Continued)

In-kind contributions included in the statement of activities are as follows at June 30, 2011:

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 101,803	\$ 4,966	\$ 17,381	\$ 124,150
Professional fees	12,431	606	2,122	15,159
Supplies	6,896	336	1,177	8,409
Occupancy	5,904	288	1,008	7,200
Printing	<u>4,608</u>	<u>227</u>	<u>787</u>	<u>5,622</u>
	<u>\$ 131,642</u>	<u>\$ 6,423</u>	<u>\$ 22,475</u>	<u>\$ 160,540</u>

NOTE 6 – EMPLOYEE BENEFIT PROGRAM

Effective July 1, 2003, the Chapter adopted a Savings Incentive Match Plan (the "Plan") for eligible employees. Employees are eligible to participate in the Plan upon their date of hire. Contributions made by the participant are matched by the Chapter at a rate of 3% and 1% of the employee's compensation for those employees making elective deferrals for the years ended June 30, 2012 and 2011, respectively. The Chapter incurred expenses related to the Plan in the amount of \$2,290 and \$1,323 at June 30, 2012 and 2011, respectively.

NOTE 7 – LEASE COMMITMENTS

The Chapter leases various office space under noncancellable operating leases. Rent expense amounted to \$83,259 and \$90,240 for the years ended June 30, 2012 and 2011, respectively. Future minimum rental payments required under all operating leases in effect at June 30, 2012 are as follows:

<u>Year ending June 30:</u>	
2013	\$ 96,127
2014	92,464
2015	70,925
2016	58,555
2017	34,963
Thereafter	<u>1,503</u>
	<u>\$ 354,537</u>

ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION, INC.
MID SOUTH CHAPTER
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 8 – RELATED PARTY TRANSACTIONS (SHARED FUNDRAISING)

As stated in Note 1, the Chapter is affiliated with the National Organization. A formal Statement of Relationship outlines the rights and responsibilities of the National Organization and the Chapter. These responsibilities include that the Chapter comply with policies. These policies include Shared Fundraising ("SFR"), which unifies and coordinates fundraising efforts within the Chapter's territory.

SFR requires that the National Organization, the Chapter and a Mission Fund, to be used for the benefit of the whole National Organization, share unrestricted contributed revenue raised in the territory. For the year ended June 30, 2012 revenue was split as follows: Chapter 60%, National Organization 30%, and the Mission Fund 10%. For the year ended June 30, 2011 revenue was split as follows: Chapter 60%, National Organization 32%, and the Mission Fund 8%.

As of June 30, 2012 and 2011, the net amounts due to the National Organization from the SFR amounted to \$7,196 and \$74,205, respectively. Subsequent to June 30, 2012, the Chapter paid the National Organization \$13,988.