

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

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

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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, 2006 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.

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, 2006, 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.

Blankenship CPA Group, PLLC

October 11, 2006

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

ASSETS

CURRENT ASSETS

Cash	\$ 333,325
Grants and other receivables (note 4)	33,401
Inventory (note 5)	57,903
Prepaid expenses	<u>10,794</u>

Total Current Assets 435,423

Equipment, net (note 3) 11,520

TOTAL ASSETS \$ 446,943

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 34,800
Deferred revenue	<u>35,919</u>

Total Current Liabilities 70,719

UNRESTRICTED NET ASSETS 376,224

TOTAL LIABILITIES AND NET ASSETS \$ 446,943

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

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

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Fundraising, net of expenses of \$115,011	\$ 507,478	\$ -	\$ 507,478
Contributions and memorials	219,951	-	219,951
Donated services and materials (note 6)	147,984	-	147,984
Combined federal campaign	65,122	-	65,122
United Way	63,696	-	63,696
Grants	11,440	38,600	50,040
Corporate gifts	38,757	-	38,757
Program income	29,139	-	29,139
Interest income	5,585	-	5,585
Membership dues	1,034	-	1,034
Miscellaneous	523	-	523
Book and tape sales	174	-	174
Net assets released from restrictions	46,845	(46,845)	-
Total Revenue and Other Support	1,137,728	(8,245)	1,129,483
EXPENSES			
Program services	874,435	-	874,435
Support services			
Management and general	46,675	-	46,675
Fundraising	190,272	-	190,272
Total Expenses	1,111,382	-	1,111,382
CHANGE IN NET ASSETS	26,346	(8,245)	18,101
NET ASSETS, BEGINNING OF YEAR	349,878	8,245	358,123
NET ASSETS, END OF YEAR	\$ 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
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2006

	Program Services	Management and General	Fundraising	Total
Other salaries and wages	334,593	26,415	79,246	440,254
Other employee benefits	64,013	5,053	15,161	84,227
Compensation of officers	<u>\$ 49,324</u>	<u>\$ 3,894</u>	<u>\$ 11,682</u>	<u>\$ 64,900</u>
Total Salaries and Benefits	447,930	35,362	106,089	589,381
Occupancy	68,728	5,426	16,278	90,432
Dues to national	86,145	-	-	86,145
Printing and publications	39,584	222	22,998	62,804
Postage	55,361	644	3,227	59,232
Respite payments	37,722	-	-	37,722
Travel	22,605	520	5,473	28,598
Professional fees	23,086	561	4,018	27,665
Supplies	17,366	1,190	3,750	22,306
Conferences and meetings	10,777	15	11,440	22,232
Telephone	19,416	290	871	20,577
Insurance	12,617	996	2,988	16,601
Advertising	12,538	52	3,639	16,229
Equipment maintenance	10,759	789	2,783	14,331
Depreciation	6,446	509	1,526	8,481
Volunteer and staff training	3,036	77	1,434	4,547
Miscellaneous	<u>319</u>	<u>22</u>	<u>3,758</u>	<u>4,099</u>
	<u><u>\$ 874,435</u></u>	<u><u>\$ 46,675</u></u>	<u><u>\$ 190,272</u></u>	<u><u>\$ 1,111,382</u></u>

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

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash from contributions	\$ 956,163
Grants	45,442
Cash from program services	29,139
Corporate gifts	38,757
Interest received	5,585
Cash from membership dues	1,034
Cash from book and tape sales	174
Miscellaneous	523
Cash paid to vendors	(505,154)
Cash paid to employees	(566,284)
Net Cash Provided By Operating Activities	<u>5,379</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from certificate of deposit	200,000
Purchase of equipment	(2,409)
Net Cash Provided By Investing Activities	<u>197,591</u>
NET INCREASE IN CASH	202,970
CASH, BEGINNING OF YEAR	<u>130,355</u>
CASH, END OF YEAR	<u><u>\$ 333,325</u></u>
Reconciliation of increase in net assets to net cash provided by operating activities:	
Increase in net assets	\$ 18,101
Adjustments to reconcile increase in net cash provided by operating activities:	
Depreciation	8,481
Increase in grants and other receivables	(13,922)
Increase in inventory	(370)
Increase in prepaid expenses	(6,292)
Decrease in accounts payable and accrued expenses	(6,773)
Increase in deferred revenue	6,154
Net Cash Provided By Operating Activities	<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
YEAR ENDED JUNE 30, 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 as of June 30, 2006 exceeded Federal Deposit Insurance Corporation ("FDIC") limits by approximately \$255,676.

Grants and Other Receivables

Grants and other receivables consist of the amounts described in note 4 and are considered by management to be collectible.

ALZHEIMER'S DISEASE AND RELATED DISORDER ASSOCIATION, INC.
MID SOUTH CHAPTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 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, which consisted of \$41,304 in 2006.

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.

Deferred Revenue

Deferred revenue consists primarily of exchange transactions received during the year that have not yet taken place and are designated for program use in the next fiscal year.

NOTE 3 - 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:

Equipment	\$ 75,572
Accumulated depreciation	<u>(64,052)</u>
Net	<u>\$ 11,520</u>

Depreciation expense for 2006 was \$8,481.

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

NOTE 4 - GRANTS AND OTHER RECEIVABLES

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

Aging commissions of the Mid-South	\$ 21,098
DeSoto Athletic Club	5,036
Others	<u>7,267</u>
	<u>\$ 33,401</u>

NOTE 5 - INVENTORY

Inventory consists of the following:

Books and videos	\$ 43,445
Brochures	4,590
Office supplies	<u>9,868</u>
	<u>\$ 57,903</u>

NOTE 6 - DONATED SERVICES AND MATERIALS

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

Contributions in-kind:	
Occupancy	\$ 31,200
Professional fees	5,800
Advertising	6,250
Silent auction items	67,652
Fundraising	35,432
Printing and publications	<u>1,650</u>
	<u>\$ 147,984</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 \$2,018 related to this Plan in 2006.

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

NOTE 8 - LEASE COMMITMENTS

The Chapter leases certain offices under operating leases that expire over various terms through 2008. Total rental expense paid in 2006 amounted to \$61,350.

Future minimum rental payments required under all operating leases in effect at June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	
2007	\$ 46,723
2008	<u>18,401</u>
Total	<u>\$ 65,124</u>