

**ALZHEIMER'S DISEASE AND
RELATED DISORDER ASSOCIATION, INC.
MID SOUTH CHAPTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2005**

ALZHEIMER'S DISEASE AND RELATED DISORDER ASSOCIATION, INC.
MID SOUTH CHAPTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2005

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors of
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, 2005 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, 2005, 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

September 20, 2005

ALZHEIMER'S DISEASE AND RELATED DISORDER ASSOCIATION, INC.

MID SOUTH CHAPTER

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2005

ASSETS

2005

CURRENT ASSETS

Cash	\$ 130,355
Certificate of deposit	200,000
Grants and other receivables (note 4)	19,479
Inventory (note 5)	57,533
Prepaid expenses	<u>4,502</u>

Total Current Assets	<u>411,869</u>
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Equipment, net (note 3)	<u>17,592</u>
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TOTAL ASSETS	<u><u>\$ 429,461</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 41,573
Deferred revenue	<u>29,765</u>

Total Current Liabilities	<u>71,338</u>
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NET ASSETS

Unrestricted	349,878
Temporarily restricted (note 6)	<u>8,245</u>

Total Net Assets	<u>358,123</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 429,461</u></u>
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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
FOR THE YEAR ENDED JUNE 30, 2005

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Fund raising, net of expenses of \$92,800	\$ 598,938	-	\$ 598,938
Contributions and memorials	147,277	-	147,277
Donated services and materials (note 7)	142,388	-	142,388
Grants	41,887	45,081	86,968
United Way	72,265	-	72,265
Combined federal campaign	63,228	-	63,228
Program income	41,844	-	41,844
Corporate gifts	32,467	-	32,467
Interest income	8,648	-	8,648
Membership dues	3,550	-	3,550
Book and tape sales	102	-	102
Miscellaneous	50	-	50
Net assets released from restrictions	43,221	(43,221)	-
	<u>1,195,865</u>	<u>1,860</u>	<u>1,197,725</u>
Total Revenue and Other Support			
	<u>1,195,865</u>	<u>1,860</u>	<u>1,197,725</u>
EXPENSES			
Program services	1,033,520	-	1,033,520
Support services			
Management and general	56,184	-	56,184
Fundraising	245,349	-	245,349
	<u>1,335,053</u>	<u>-</u>	<u>1,335,053</u>
Total Expenses			
	<u>1,335,053</u>	<u>-</u>	<u>1,335,053</u>
CHANGE IN NET ASSETS	(139,188)	1,860	(137,328)
NET ASSETS BEGINNING OF THE YEAR	<u>489,066</u>	<u>6,385</u>	<u>495,451</u>
NET ASSETS END OF THE YEAR	<u>\$ 349,878</u>	<u>\$ 8,245</u>	<u>\$ 358,123</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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005

	Program Services	Management and General	Fundraising	Total
Compensation of officers	\$ 62,016	\$ 4,896	\$ 14,688	\$ 81,600
Other salaries and wages	347,860	27,463	82,388	457,711
Other employee benefits	<u>66,882</u>	<u>5,280</u>	<u>15,840</u>	<u>88,002</u>
 Total Salaries and Benefits	 476,758	 37,639	 112,916	 627,313
 Fundraising	 44,363	 -	 45,441	 89,804
Occupancy	65,746	5,022	15,068	85,836
Memory walk	41,860	1,004	34,369	77,233
Printing and publications	72,805	745	2,234	75,784
Dues to national	52,376	4,135	12,405	68,916
Postage	46,644	537	1,612	48,793
Respite payments	44,232	173	520	44,925
Conferences and meetings	39,163	29	89	39,281
Supplies	30,159	1,934	5,803	37,896
Travel	25,205	428	1,283	26,916
Telephone	22,057	269	807	23,133
Professional fees	17,642	939	2,815	21,396
Equipment maintenance	13,974	960	2,878	17,812
Insurance	12,265	968	2,905	16,138
Depreciation	9,878	780	2,339	12,997
Miscellaneous	6,409	214	642	7,265
Advertising	5,185	75	223	5,483
Volunteer and staff training	4,140	136	407	4,683
Bank fees	<u>2,659</u>	<u>197</u>	<u>593</u>	<u>3,449</u>
	<u><u>\$ 1,033,520</u></u>	<u><u>\$ 56,184</u></u>	<u><u>\$ 245,349</u></u>	<u><u>\$ 1,335,053</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
FOR THE YEAR ENDED JUNE 30, 2005

	2005
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash from contributions	\$ 958,744
Grants	70,468
Cash from program services	41,844
Corporate gifts	32,467
Interest received	8,648
Cash from membership dues	3,550
Cash from book and tape sales	102
Miscellaneous	50
Cash paid to vendors	(691,365)
Cash paid to employees	<u>(539,311)</u>
Net Cash Used In Operating Activities	<u>(114,803)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from certificate of deposit	100,000
Purchase of equipment	<u>(14,187)</u>
Net Cash Provided By Investing Activities	<u>85,813</u>
NET DECREASE IN CASH	(28,990)
CASH, BEGINNING OF YEAR	<u>159,345</u>
CASH, END OF YEAR	<u><u>\$ 130,355</u></u>
 Reconciliation of decrease in net assets to net cash used in operating activities:	
Decrease in net assets	\$ (137,328)
Adjustments to reconcile decrease in net cash used in operating activities:	
Depreciation	12,997
Increase in grants and other receivables	(19,479)
Decrease in inventory	1,115
Decrease in prepaid expenses	1,891
Increase in accounts payable and accrued expenses	38,786
Decrease in deferred income	<u>(12,785)</u>
Net Cash Used in Operating Activities	<u><u>\$ (114,803)</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
FOR THE YEAR ENDED JUNE 30, 2005

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, and 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, 2005 exceeded Federal Deposit Insurance Corporation ("FDIC") limits by approximately \$12,076.

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)
FOR THE YEAR ENDED JUNE 30, 2005

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 \$45,818 of advertising in 2005.

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 revenues consist 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 at June 30:

Equipment	\$ 73,163
Accumulated depreciation	<u>(55,571)</u>
	<u>\$ 17,592</u>

Depreciation expense for 2005 is \$12,997.

ALZHEIMER'S DISEASE AND RELATED DISORDER ASSOCIATION, INC.
MID SOUTH CHAPTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 4 - GRANTS AND OTHER RECEIVABLES

As of June 30, 2005, grants and other receivables consisted of:

Aging commissions of the Mid-South	\$ 16,500
DeSoto Athletic Club	<u>2,979</u>
	<u>\$ 19,479</u>

NOTE 5 - INVENTORY

Inventory consists of the following:

Books and videos	\$ 48,360
Brochures	3,848
Office supplies	<u>5,325</u>
	<u>\$ 57,533</u>

NOTE 6- TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets, restricted for time and purpose, included the following at June 30, 2005:

Equipment purchases	\$ 2,500
Time restricted contributions	<u>5,745</u>
Total	<u>\$ 8,245</u>

NOTE 7 - DONATED SERVICES

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

Contributions in-kind:	
Occupancy	\$ 23,400
Professional fees	2,700
Fundraising	51,296
Memory walk	62,842
Miscellaneous	<u>2,150</u>
	<u>\$ 142,388</u>

ALZHEIMER'S DISEASE AND RELATED DISORDER ASSOCIATION, INC.
MID SOUTH CHAPTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 8 - EMPLOYEE BENEFIT PROGRAM

Effective July 1, 2003, the Chapter has 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. If employees do not make elective deferrals to the Plan, the Chapter will not make a matching contribution. The Chapter incurred expenses of \$9,972 related to this Plan in 2005.

NOTE 9 - LEASE COMMITMENTS

The Chapter leases certain offices under operating leases that expire over various terms through 2008. Total rental expense paid in 2005 amounted to \$73,518.

Future minimum rental payments required under all operating leases in effect at June 30, 2005 are as follows:

2006	\$ 47,146
2007	46,744
2008	<u>18,396</u>
Total	<u>\$ 122,286</u>