

**ALZHEIMER'S DISEASE AND RELATED
DISORDERS ASSOCIATION, INC. -
GREATER MARYLAND CHAPTER**

FINANCIAL REPORT

JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Alzheimer's Disease and Related Disorders Association, Inc.
- Greater Maryland Chapter
Baltimore, Maryland

We have audited the accompanying statements of financial position of Alzheimer's Disease and Related Disorders Association, Inc. – Greater Maryland Chapter as of June 30, 2011 and 2010, 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 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 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 Alzheimer's Disease and Related Disorders Association, Inc. – Greater Maryland Chapter as of June 30, 2011 and 2010, 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.

As described in Note 9 to the financial statements, the 2010 financial statements have been restated for an error in the recognition of National Shared Fundraising expense.

TMDG, LLC

Baltimore, Maryland
September 22, 2011

ALZHEIMER'S DISEASE AND RELATED DISORDERS
ASSOCIATION, INC. - GREATER MARYLAND CHAPTER

STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

	2011	2010 (Restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 534,056	\$ 404,767
Restricted cash and cash equivalents	17,625	38,837
Due from other chapters	2,704	2,704
Campaign pledges receivable, net of allowance for doubtful accounts of \$5,836 and \$7,866 for the years ended June 30, 2011 and 2010, respectively	118,295	122,199
Pledges receivable	42,001	12,781
Other receivables	2,832	8,097
Inventory	13,419	13,245
Prepaid expenses	65,899	45,023
Total current assets	796,831	647,653
OTHER ASSETS		
Investments	1,801,493	1,933,306
Pledges receivable, net of current portion	28,284	-
	1,829,777	1,933,306
PROPERTY AND EQUIPMENT		
Furniture and fixtures	19,043	19,043
Leasehold improvements	13,725	13,725
Office equipment	199,521	166,627
	232,289	199,395
Less accumulated depreciation	164,319	137,418
	67,970	61,977
SECURITY DEPOSITS		
	4,460	4,460
	\$ 2,699,038	\$ 2,647,396

The Notes to Financial Statements are an integral part of these statements.

	2011	2010 (Restated)
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 84,369	\$ 62,313
Research payments due to National	2,610	3,440
Shared Fundraising due to National	126,421	9,158
Accrued expenses and other liabilities	49,253	27,177
Deferred revenue	8,305	14,301
Current portion of capital lease obligations	9,683	8,787
Total current liabilities	<u>280,641</u>	<u>125,176</u>
 CAPITAL LEASE OBLIGATIONS	 <u>9,380</u>	 <u>19,040</u>
Total liabilities	<u>290,021</u>	<u>144,216</u>
 NET ASSETS		
Unrestricted	2,301,747	2,399,180
Temporarily restricted	107,270	104,000
Total net assets	<u>2,409,017</u>	<u>2,503,180</u>
	 <u>\$ 2,699,038</u>	 <u>\$ 2,647,396</u>

ALZHEIMER'S DISEASE AND RELATED DISORDERS
ASSOCIATION, INC. - GREATER MARYLAND CHAPTER

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2011 and 2010

	2011		Total
	Unrestricted	Temporarily Restricted	
REVENUE, GAINS, AND OTHER SUPPORT			
Special events			
Gross revenue	\$ 1,359,813	\$ -	\$ 1,359,813
Cost of direct benefits to donors	<u>(117,756)</u>	<u>-</u>	<u>(117,756)</u>
Net income from special events	<u>1,242,057</u>	<u>-</u>	<u>1,242,057</u>
Contributions	224,321	47,507	271,828
Grant revenue	254,732	102,341	357,073
Shared Fundraising with National	(191,477)	-	(191,477)
Campaign pledges	186,751	-	186,751
Bequests	89,848	-	89,848
Donated services, advertising and facilities	149,166	-	149,166
Investment income	24,716	-	24,716
Realized/unrealized gain (loss) on investments	110,018	-	110,018
Loss on disposal of property and equipment	-	-	-
Third party reimbursements	10,815	-	10,815
Miscellaneous income	98,058	-	98,058
Net assets released from restrictions by satisfaction of program requirements	<u>146,578</u>	<u>(146,578)</u>	<u>-</u>
Total revenue, gains, and other support	<u>2,345,583</u>	<u>3,270</u>	<u>2,348,853</u>
EXPENSES			
Program	2,052,556	-	2,052,556
Management and general	108,015	-	108,015
Fundraising	<u>282,445</u>	<u>-</u>	<u>282,445</u>
Total expenses	<u>2,443,016</u>	<u>-</u>	<u>2,443,016</u>
CHANGE IN NET ASSETS	(97,433)	3,270	(94,163)
NET ASSETS, BEGINNING OF YEAR	<u>2,399,180</u>	<u>104,000</u>	<u>2,503,180</u>
NET ASSETS, END OF YEAR	<u>\$ 2,301,747</u>	<u>\$ 107,270</u>	<u>\$ 2,409,017</u>

The Notes to Financial Statements are an integral part of these statements.

2010 (Restated)

Unrestricted	Temporarily Restricted	Total
\$ 1,276,457	\$ 4,025	\$ 1,280,482
<u>(113,160)</u>	<u>-</u>	<u>(113,160)</u>
1,163,297	4,025	1,167,322
257,890	1,713	259,603
166,203	118,293	284,496
(133,736)	-	(133,736)
248,896	-	248,896
160,266	-	160,266
113,298	-	113,298
32,483	-	32,483
44,639	-	44,639
(4,676)	-	(4,676)
10,815	-	10,815
98,137	-	98,137
<u>59,241</u>	<u>(59,241)</u>	<u>-</u>
2,216,753	64,790	2,281,543
1,808,170	-	1,808,170
125,640	-	125,640
<u>308,955</u>	<u>-</u>	<u>308,955</u>
2,242,765	-	2,242,765
(26,012)	64,790	38,778
<u>2,425,192</u>	<u>39,210</u>	<u>2,464,402</u>
<u>\$ 2,399,180</u>	<u>\$ 104,000</u>	<u>\$ 2,503,180</u>

ALZHEIMER'S DISEASE AND RELATED DISORDERS
ASSOCIATION, INC. - GREATER MARYLAND CHAPTER

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2011

	PROGRAM SERVICES			Total Program Services	SUPPORTING SERVICES			TOTAL
	Family Services	Education	Research		Management and General	Fundraising		
Salaries	\$ 420,497	\$ 592,218	\$ -	\$ 1,012,715	\$ 34,405	\$ 72,257	\$ 1,119,377	
Payroll taxes	35,764	55,024	-	90,788	3,133	6,746	100,667	
Employee benefits	50,279	83,287	-	133,566	4,891	11,152	149,609	
Total salaries and related benefits	506,540	730,529	-	1,237,069	42,429	90,155	1,369,653	
Contractual services	25,576	86,530	-	112,106	41,734	1,200	155,040	
Supplies	7,208	8,392	-	15,600	2,840	1,452	19,892	
Telecommunications	9,503	16,257	-	25,760	510	1,898	28,168	
Postage/shipping	13,911	12,889	530	27,330	891	15,228	43,449	
Occupancy	56,875	108,737	-	165,612	3,075	7,914	176,601	
Equipment	10,810	23,900	-	34,710	587	1,671	36,968	
Insurance	2,761	5,219	-	7,980	156	417	8,553	
Printing/promotional	7,314	23,697	1,150	32,161	22	21,254	53,437	
Publications	2,796	10,366	-	13,162	135	72	13,369	
Donated advertising	-	77,632	-	77,632	-	67,131	144,763	
Conferences & staff development	220	5,618	-	5,838	150	240	6,228	
Events & related expenses	20,775	25,707	-	46,482	659	47,211	94,352	
Travel	2,488	6,182	-	8,670	3,210	6,964	18,844	
Public grant	202,422	-	-	202,422	-	-	202,422	
Program grant	12,260	-	-	12,260	-	-	12,260	
Other	1,453	3,706	-	5,159	12,459	16,528	34,146	
Bad debts	-	-	-	-	(2,030)	-	(2,030)	
Depreciation	882,912	1,145,361	1,680	2,029,953	106,827	279,335	2,416,115	
	9,830	12,773	-	22,603	1,188	3,110	26,901	
Total expenses	\$ 892,742	\$ 1,158,134	\$ 1,680	\$ 2,052,556	\$ 108,015	\$ 282,445	\$ 2,443,016	

The Notes to Financial Statements are an integral part of these statements.

ALZHEIMER'S DISEASE AND RELATED DISORDERS
ASSOCIATION, INC. - GREATER MARYLAND CHAPTER

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2010

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL
	Family Services	Education	Research	Program Services	Management and General	Fundraising		
Salaries	\$ 380,285	\$ 543,691	\$ -	\$ 923,976	\$ 44,877	\$ 108,843	\$ 1,077,696	
Payroll taxes	31,042	47,589	-	78,631	3,748	9,072	91,451	
Employee benefits	38,128	62,440	-	100,568	6,576	12,967	120,111	
Total salaries and related benefits	449,455	653,720	-	1,103,175	55,201	130,882	1,289,258	
Contractual services	26,950	74,909	-	101,859	33,830	1,550	137,239	
Supplies	6,797	10,578	-	17,375	616	2,787	20,778	
Telecommunications	9,428	13,565	-	22,993	798	2,982	26,773	
Postage/shipping	14,475	15,621	657	30,753	2,471	15,789	49,013	
Occupancy	61,119	101,022	-	162,141	5,303	13,743	181,187	
Equipment	9,259	19,147	-	28,406	757	2,547	31,710	
Insurance	2,715	4,826	-	7,541	243	838	8,622	
Printing/promotional	5,612	18,879	522	25,013	434	22,637	48,084	
Publications	2,546	6,333	-	8,879	(465)	-	8,414	
Donated advertising	-	59,383	-	59,383	-	49,512	108,895	
Conferences & staff development	186	4,657	-	4,843	150	130	5,123	
Events & related expenses	21,780	21,857	-	43,637	738	41,690	86,065	
Travel	2,499	7,349	-	9,848	1,989	3,226	15,063	
Public grant	131,443	-	-	131,443	-	-	131,443	
Program grant	22,349	-	-	22,349	-	-	22,349	
Other	1,602	3,640	-	5,242	20,590	16,662	42,494	
Bad debts	-	-	-	-	989	-	989	
Depreciation	768,215	1,015,486	1,179	1,784,880	123,644	304,975	2,213,499	
	10,033	13,257	-	23,290	1,996	3,980	29,266	
Total expenses	\$ 778,248	\$ 1,028,743	\$ 1,179	\$ 1,808,170	\$ 125,640	\$ 308,955	\$ 2,242,765	

The Notes to Financial Statements are an integral part of these statements.

ALZHEIMER'S DISEASE AND RELATED DISORDERS
ASSOCIATION, INC. - GREATER MARYLAND CHAPTER

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2011 and 2010

	2011	2010 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from contributions	\$ 323,392	\$ 419,869
Cash from special events	1,334,596	1,283,726
Cash from pledges receivable collected	195,611	252,184
Cash from Shared Fundraising with National	(74,214)	(90,905)
Cash from governmental grants	255,616	256,583
Cash from private grants	101,457	81,326
Interest and dividends received	27,800	51,862
Third party reimbursements	10,815	11,201
Miscellaneous receipts	97,314	99,162
Operating receipts	2,272,387	2,365,008
Cash paid to employees	(1,097,110)	(1,119,152)
Cash paid to vendors	(1,075,879)	(986,568)
Cash paid to care providers for respite care	(190,664)	(177,003)
Research contributions paid to National	(830)	925
Operating disbursements	(2,364,483)	(2,281,798)
Net cash provided (used) by operating activities	(92,096)	83,210
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,586,613	1,895,654
Purchase of investments	(1,344,782)	(1,909,249)
Purchase of property and equipment	(32,894)	(10,018)
Net cash provided (used) by investing activities	208,937	(23,613)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases	(8,764)	(7,934)
Net increase in cash and cash equivalents	108,077	51,663
Cash and cash equivalents, beginning of year	443,604	391,941
Cash and cash equivalents, end of year	\$ 551,681	\$ 443,604
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid during the year for interest	\$ 2,388	\$ 3,219

The Notes to Financial Statements are an integral part of these statements.

ALZHEIMER'S DISEASE AND RELATED DISORDERS
ASSOCIATION, INC. - GREATER MARYLAND CHAPTER

STATEMENTS OF CASH FLOWS (continued)
Years Ended June 30, 2011 and 2010

	2011	2010 (Restated)
CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	\$ 534,056	\$ 404,767
Restricted cash and cash equivalents	17,625	38,837
	<u>551,681</u>	<u>443,604</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net assets	(94,163)	38,778
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Allowance for doubtful accounts	(2,030)	989
Depreciation	26,901	29,266
Realized and unrealized (gains) losses on investments	(110,018)	(44,639)
Loss on disposal of property and equipment	-	4,676
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Due from other chapters	-	386
Campaign pledges receivable	5,934	3,119
Grants receivable	-	53,413
Pledges receivable	(57,504)	(1,686)
Other receivables	5,265	20,573
Inventory	(174)	(757)
Prepaid expenses	(20,876)	(1,280)
Security deposits	-	1,130
Increase (decrease) in liabilities:		
Accounts payable	22,056	(28,254)
Research payments due to National	(830)	925
Shared Fundraising due to National	117,263	42,831
Accrued expenses and other liabilities	22,076	(41,190)
Deferred revenue	(5,996)	4,930
	<u>(92,096)</u>	<u>83,210</u>
Net cash provided (used) by operating activities	\$ (92,096)	\$ 83,210

The Notes to Financial Statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities

Alzheimer's Disease and Related Disorders Association, Inc. – Greater Maryland Chapter (the "Association") was incorporated as a not-for-profit, voluntary health and welfare organization under the laws of the State of Maryland with the primary purpose to provide leadership to eliminate Alzheimer's disease through the advancement of research, while enhancing care and support services for individuals and their families.

A summary of the Association's significant accounting policies follows:

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Basis of presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, the net assets of the Association and changes therein are classified and reported as follows:

Unrestricted net assets – net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets – net assets that result from contributions and grants whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Association pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets – net assets that result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Association's actions. The Association did not have any permanently restricted net assets at June 30, 2011 and 2010.

Financial risk

The Association maintains its cash balances in bank deposit accounts, which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk as to cash.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Financial risk (continued)

The Association invests in a professionally managed portfolio that contains certificates of deposit and mutual funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Cash and cash equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Restricted cash

The Association receives advances on grant awards from state and local governments. These advances are required to be held in separate accounts and are restricted for respite care expenditures allowable under the grant awards.

Campaign pledges

The Association values the campaign pledges at management's estimate of the amount that will be collected. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and the Association's historical collection experience. Bad debts represent the difference between amounts pledged from the Annual Payroll Campaigns and the amount ultimately received by the Association from those campaigns.

Pledges receivable

Pledges receivable represent unconditional promises to give which are recognized as contributions when the pledge is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges receivable are deemed fully collectible by management.

Inventory

Inventory is comprised of brochures, books, and audiovisual aids. Inventory is stated at the lower of cost, using the first-in-first-out method (FIFO) or market.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Investments

Investments are reported at fair value. Any realized and unrealized gains and losses and investment income are reflected in the Statement of Activities as a change in unrestricted net assets, unless their use is restricted by explicit donor-imposed stipulations or by law. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Fair value of financial instruments, other than investments

The estimated values of financial instruments, other than investments, consisting principally of cash and cash equivalents, campaign and pledges receivable, inventory, prepaid expenses, accounts payable and accrued expenses and capital lease obligations, are stated at cost, which approximates fair value because of their short-term nature.

Property and equipment

Furniture, fixtures, equipment and leasehold improvements are recorded at cost. Depreciation is calculated over the estimated useful lives of the related assets using the straight-line method, ranging from 3 to 10 years. Leasehold improvements are amortized over the shorter of the life of the lease or the estimated useful life of the improvement.

Property and equipment with a cost of \$1,500 or more, if purchased, or a fair value of \$1,500 or more at date of donation, if contributed, is generally capitalized. Expenditures for major additions and betterments that extend the useful lives of property and equipment are capitalized, whereas expenditures for maintenance and repairs are charged to expense as incurred.

Income taxes

The Association is generally exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies for charitable contribution deductions under Section 170(b) (1) (A) and has been classified as an organization that is not a private foundation under Section 509(a) (1). The Association does not file a separate tax return since it is included in a group return filed by the Alzheimer's Disease and Related Disorders Association, Inc. ("National Affiliate"). If necessary, the Association reports income from unrelated business activities to the National Affiliate.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Income taxes (continued)

The Association adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this policy, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely-than-not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position. Management evaluated the Association's tax positions and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this guidance. However, since the Association files as part of a group return with the National Affiliate, it is unknown if there are any uncertain tax positions within the overall group return and what, if any, adjustment would be necessary to the financial statements.

Contributions

Contributions received or promised, which includes unconditional promises to give (pledges), are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is satisfied), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated services, advertising and facilities

Donated advertising and facilities are reported at fair value in the financial statements when those items (1) create or enhance non-financial assets or (2) require any specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. The Association recorded donated advertising and facilities revenue and expense for the years ended June 30, 2011 and 2010 of \$149,166 and \$113,298, respectively.

A substantial number of volunteers have donated significant amounts of their time in the Association's programs and its fundraising campaigns. The value of these donated services does not meet the criteria for recognition and, accordingly, are not recognized in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Functional allocation of expenses

The costs of providing the various programs have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Expenses are charged to program and supporting services on the basis of direct charges, square footage, and periodic time studies. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Association.

Estimates

The preparation of financial statements 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. Accordingly, actual results may vary from those estimates.

Reclassification

Certain 2010 amounts have been reclassified to conform to the current year presentation.

Subsequent events

The Association has evaluated subsequent events through September 22, 2011, the date on which the financial statements were available to be issued.

Note 2. Allocation of Joint Costs

For the years ended June 30, 2011 and 2010, the Association incurred joint costs for informational materials and activities that included fundraising appeals. Those costs are as follows:

	2011	2010
Fundraising expense	\$ 72,508	\$ 53,948
Program expenses	91,544	73,531
Management and general	<u>-</u>	<u>680</u>
Total joint costs incurred	<u>\$ 164,027</u>	<u>\$ 128,159</u>

NOTES TO FINANCIAL STATEMENTS

Note 3. Pledges Receivable

Pledges receivable are recorded at their estimated fair value. Amounts due more than one year later are recorded at the present value of the estimated future cash flows discounted at 2.96%. Management considers all pledges to be fully collectible.

Pledges receivable consist of the following at June 30:

	2011	2010
Pledges receivable due in less than one year	\$ 42,001	\$ 12,781
Pledges receivable due in one to five years	30,042	-
Less: unamortized discount	(1,758)	-
	\$ 70,285	\$ 12,781

The total of pledges receivable reflected in the accompanying Statements of Financial Position is as follows at June 30:

	2011	2010
Pledges receivable – current	\$ 42,001	\$ 12,781
Pledges receivable – noncurrent	28,284	-
	\$ 70,285	\$ 12,781

Note 4. Investments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for fair value measurements of investments that are recognized and disclosed at fair value in the financial statements on a recurring basis. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

NOTES TO FINANCIAL STATEMENTS

Note 4. Investments (continued)

Investments, recorded at fair value using Level 1 inputs, consist of the following at June 30, 2011 and 2010:

	2011	2010
Mutual Funds	\$ 637,597	\$ 517,226
Certificates of Deposit	<u>1,163,896</u>	<u>1,416,080</u>
	<u>\$ 1,801,493</u>	<u>\$ 1,933,306</u>

Investments are reported at fair value and consist of the following at June 30, 2011 and 2010:

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
Mutual Funds	\$ 637,597	\$ 571,037	\$ 517,226	\$ 560,130
Certificates of Deposit	<u>1,163,896</u>	<u>1,164,000</u>	<u>1,416,080</u>	<u>1,415,000</u>
	<u>\$ 1,801,493</u>	<u>\$ 1,735,037</u>	<u>\$ 1,933,306</u>	<u>\$ 1,975,130</u>

Net unrealized gains were \$108,280 and \$65,384 for the years ended June 30, 2011 and 2010, respectively. Net realized gains (losses) were \$1,738 and (\$20,745) for the years ended June 30, 2011 and 2010, respectively.

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2011	2010
Time Restriction	\$ 19,493	\$ -
Chapter Education and Outreach	23,749	-
Respite – Eastern Star/Sauerhammer	4,462	4,632
Respite – Eastern Shore	8,092	12,484
Respite – Western Maryland/Joyce Joiner	1,474	5,066
Education on Early Stage Dementia	50,000	49,979
Higgins Library Fund	-	4,559
Alzheimer's Clinical Studies Initiative	-	9,500
Dementia Training	<u>-</u>	<u>17,780</u>
	<u>\$ 107,270</u>	<u>\$ 104,000</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Commitments

Retirement plans

The Association established a contributory profit sharing plan qualified under Section 401(k) of the Internal Revenue Code in January 2009. The Plan covers all full time employees of the Association who are at least 21 years of age and have completed one year of service. A participant's share of the Association's contributions vests 20% per year beginning after the employee's first year of service upon entering the Plan and is 100% vested after five years. A participant can contribute a percentage of his/her compensation, which is immediately vested. The Association can make discretionary matching and profit sharing contributions. The Association's contribution was \$25,580 and \$28,172 for the years ended June 30, 2011 and 2010, respectively.

Consulting agreement

The Association entered into an agreement with a public and government relations firm that provides for a monthly payment of \$3,230 and reasonable expenses through June 30, 2012. Either party may terminate the agreement with a 30-day written notice at any time and without further obligation.

Operating leases

The Association has several leases for office space and equipment. Future minimum lease payments for office space and equipment are due as follows for the year ending June 30:

2012	\$	126,180
2013		103,567
2014		98,518
2015		<u>102,459</u>
	\$	<u>430,724</u>

The Association also receives donated office space. The Association has reported the value of the donated office space as revenue and expense of \$4,403 in the Statements of Activities for each of the years ended June 30, 2011 and 2010. This donated space is on a month-to-month basis.

Total expenses for operating leases for the years ended June 30, 2011 and 2010 was \$152,468 and \$134,710, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 6. Commitments (continued)

Capital leases

The Association has entered into several capital leases for equipment expiring at various times through 2014. The aggregate lease payments were discounted at the inception of the lease and the net present value was recorded as a liability. The fair value of the related equipment was recorded as an asset and is being amortized over the life of the related lease. Future minimum lease payments and the present value of payments under the capital lease obligations are as follows for the year ending June 30:

2012	\$	11,153
2013		9,263
2014		<u>597</u>
		21,013
Less interest	(<u>1,950)</u>
		<u>\$ 19,063</u>

These leases were terminated in July 2011 as discussed in Note 10.

Amortization of assets held under capital leases is included with depreciation expense.

The following is an analysis at June 30, 2011 and 2010, of the equipment acquired under capital leases, which is included in property and equipment on the Statements of Financial Position:

	2011	2010
Cost	\$ 44,648	\$ 44,648
Less accumulated depreciation	<u>(27,533)</u>	<u>(18,604)</u>
	<u>\$ 17,115</u>	<u>\$ 26,044</u>

Note 7. National Affiliate

As of July 1, 2006, the Association entered into a Shared Fundraising agreement with the National Affiliate, which provided, among other things, research, management, and other services to local member chapters.

NOTES TO FINANCIAL STATEMENTS

Note 7. National Affiliate (continued)

Under the terms of this agreement the Association and the National Affiliate have agreed to share unrestricted contributions raised by both parties in the Greater Maryland region based on a contractual percentage. For the years ended June 30, 2011 and 2010, the percentage for the Association was 60% and 64% respectively, and generated an adjustment to revenue for the Association of (\$191,477) and (\$133,736), respectively.

The Association also remits to the National Affiliate those donations restricted for use in medical research. As of June 30, 2011 and 2010 \$2,610 and \$3,440 were due to the National Affiliate for research, respectively.

Note 8. Third Party Reimbursement Arrangements

The Association has entered into an agreement with another chapter to share public policy costs. The Association pays 100% of the public policy costs and is reimbursed by the other chapter. For each of the years ended June 30, 2011 and 2010, \$10,815 was billed for these costs of which \$2,704 remained receivable as of June 30, 2011 and 2010.

Note 9. Restatement of Prior Years

In prior years, shared fundraising (with National) expense related to pledges receivable was not recorded in conformity with accounting principles generally accepted in the United States of America. The Association has corrected and restated the net assets, increased the shared fundraising payable to National, and increased the shared fundraising expense as of and for the year ended June 30, 2010 by \$38,247, as reflected in the accompanying Statements of Financial Position and Statements of Activities.

A portion of the adjustment relates to years prior to June 30, 2010, therefore, the restatement has the effect of reducing unrestricted net assets and increasing the shared fundraising payable to National by \$4,092 as of June 30, 2009.

The following represents the restatement of June 30, 2009 net assets:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total</u>
Balance, beginning, as previously reported	\$ 2,429,284	\$ 39,210	\$ -	\$ 2,468,494
Adjustment related to shared fundraising payable to National	<u>(4,092)</u>	<u>-</u>	<u>-</u>	<u>(4,092)</u>
Balance, beginning, as restated	<u>\$ 2,425,192</u>	<u>\$ 39,210</u>	<u>\$ -</u>	<u>\$ 2,464,402</u>

NOTES TO FINANCIAL STATEMENTS

Note 10. Subsequent Event

In July 2011, the Association entered into an agreement to terminate the existing capital leases for equipment and replace them with a five year lease on similar equipment. The capital lease obligations for the existing equipment will be assumed by the vendor.

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INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Directors
Alzheimer's Disease and Related Disorders Association, Inc.
- Greater Maryland Chapter
Baltimore, Maryland

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information which follows is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

TMDG, LLC

Baltimore, Maryland
September 22, 2011

ALZHEIMER'S DISEASE AND RELATED DISORDERS
ASSOCIATION, INC. - GREATER MARYLAND CHAPTER

SCHEDULE OF RESTRICTED CONTRIBUTIONS AND
CONTRIBUTIONS RECEIVED AS AN AGENT FOR NATIONAL
Years Ended June 30, 2011 and 2010

	2011	2010
Total agency contribution due to National, beginning of year	\$ 3,440	\$ 2,515
Contributions received as an agent for National restricted for research:		
Contributions of \$500 and under	4,890	4,740
Individual contributions over \$500	4,000	9,152
Planned gifts	<u>-</u>	<u>9,267</u>
Total contributions received as agent for National	12,330	25,674
Less amount remitted to National	<u>(9,720)</u>	<u>(22,234)</u>
Total agency contribution due to National, end of year	<u>\$ 2,610</u>	<u>\$ 3,440</u>
Restricted contributions – other:		
Horizon Grant	\$ 20,000	\$ -
Allender Family Foundation	1,500	-
Mary Catherine Bunting	23,748	-
Robert A. Reitz	19,493	-
Met Life Clinical Studies	2,000	-
Evening with Barry Peterson	4,908	-
Community Foundation of Frederick	1,699	-
Washington Gaming Commission Grant	12,000	20,488
Frederick County Grant	11,734	12,350
Western Maryland/Joyce Joiner Respite	436	2,000
Eastern Star/Sauerhammer Respite	2,330	1,713
Leonard & Helen Stulman Foundation	50,000	50,000
Frederick City Grant	-	4,175
Eisai Grant	-	2,000
Eastern Shore Respite Care	-	4,025
Alzheimer's Clinical Studies Initiative	-	9,500
Maryland Department of Health & Mental Hygiene	<u>-</u>	<u>17,780</u>
Total restricted contributions – other	<u>\$ 149,848</u>	<u>\$ 124,031</u>