

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ALZHEIMER'S DISEASE AND RELATED
DISORDERS ASSOCIATION, INC.
JUNE 30, 2011 AND 2010

CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF FUNCTIONAL EXPENSES	7
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Alzheimer's Disease and Related
Disorders Association, Inc.

Audit • Tax • Advisory
Grant Thornton LLP
175 W Jackson Boulevard, 20th Floor
Chicago, IL 60604-2687
T 312.856.0200
F 312.565.4719
www.GrantThornton.com

We have audited the accompanying statements of financial position of the Alzheimer's Disease and Related Disorders Association, Inc. (the "Association") as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. 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 as established by the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing 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. 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.

Grant Thornton LLP

Chicago, Illinois
October 21, 2011

Alzheimer's Disease and Related Disorders Association, Inc.
 STATEMENTS OF FINANCIAL POSITION
 June 30,
 (In thousands)

ASSETS	2011	2010
Cash	\$ 10,709	\$ 12,803
Chapter receivables, net	196	165
Pledges receivable, net	17,100	18,915
Shared fundraising	18,056	12,088
Other receivables	4,455	1,842
Inventories of education materials, at cost	135	-
Investments	55,910	54,981
Prepaid expenses	4,138	1,859
Assets held in trust	115	105
Furniture, equipment and leasehold improvements, net	3,242	3,377
Beneficial interest in split-interest agreements	1,440	1,290
Beneficial interest in perpetual trusts	<u>10,799</u>	<u>8,999</u>
TOTAL ASSETS	<u>\$126,295</u>	<u>\$116,424</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 1,091	\$ 667
Grants payable, net	27,150	31,903
Deferred compensation payable	1,007	772
Accrued expenses	5,651	4,631
Shared fundraising	11,713	11,172
Gift annuity obligations	4,735	4,792
Deferred revenue	3,996	2,277
Deferred rent	<u>2,332</u>	<u>2,491</u>
Total liabilities	57,675	58,705
Net assets		
Unrestricted	32,643	24,277
Temporarily restricted	13,922	13,284
Permanently restricted	<u>22,055</u>	<u>20,158</u>
Total net assets	<u>68,620</u>	<u>57,719</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$126,295</u>	<u>\$116,424</u>

The accompanying notes are an integral part of these statements.

Alzheimer's Disease and Related Disorders Association, Inc.
STATEMENTS OF ACTIVITIES
Year ended June 30, 2011, with comparative totals for 2010
(In thousands)

	2011			Total	2010 total*
	Unrestricted	Temporarily restricted	Permanently restricted		
Revenues, gains and other support					
Contributions	\$ 67,386	\$ 15,693	\$ 97	\$ 83,176	\$ 74,170
Less contributions remitted to Chapters	(33,712)	-	-	(33,712)	(32,022)
Add amounts received from Chapters under shared fundraising	<u>37,979</u>	<u>-</u>	<u>-</u>	<u>37,979</u>	<u>33,536</u>
Net contribution revenues	71,653	15,693	97	87,443	75,684
Book sales and other	9,112	-	-	9,112	10,235
Dividends and interest	1,944	209	-	2,153	1,969
Net assets released from restrictions	<u>15,819</u>	<u>(15,819)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	98,528	83	97	98,708	87,888
Expenses					
Program services					
Research	24,950	-	-	24,950	28,127
Public awareness and education	24,457	-	-	24,457	20,317
Chapter services	9,173	-	-	9,173	5,439
Public policy	4,735	-	-	4,735	4,229
Patient and family services	<u>7,735</u>	<u>-</u>	<u>-</u>	<u>7,735</u>	<u>5,344</u>
Total program services	71,050	-	-	71,050	63,456
Supporting services					
Management and general	5,703	-	-	5,703	4,547
Fundraising	<u>20,564</u>	<u>-</u>	<u>-</u>	<u>20,564</u>	<u>23,239</u>
Total supporting services	<u>26,267</u>	<u>-</u>	<u>-</u>	<u>26,267</u>	<u>27,786</u>
Total expenses	<u>97,317</u>	<u>-</u>	<u>-</u>	<u>97,317</u>	<u>91,242</u>
Excess (deficiency) from operations	1,211	83	97	1,391	(3,354)
Other changes in net assets					
Net realized and unrealized gains in value of investments	7,369	907	-	8,276	5,251
Change in value of split-interest agreements	(201)	(194)	-	(395)	(477)
Change in value of perpetual trust	-	-	1,800	1,800	401
Acquisition of dissolved chapters	8	-	-	8	210
Pledge write-off	<u>(21)</u>	<u>(158)</u>	<u>-</u>	<u>(179)</u>	<u>(477)</u>
Total other changes in net assets	<u>7,155</u>	<u>555</u>	<u>1,800</u>	<u>9,510</u>	<u>4,908</u>
CHANGE IN NET ASSETS	8,366	638	1,897	10,901	1,554
Net assets at beginning of year	<u>24,277</u>	<u>13,284</u>	<u>20,158</u>	<u>57,719</u>	<u>56,165</u>
Net assets at end of year	<u>\$ 32,643</u>	<u>\$ 13,922</u>	<u>\$ 22,055</u>	<u>\$ 68,620</u>	<u>\$ 57,719</u>

*See complete 2010 statement of activities on page 6.

The accompanying notes are an integral part of this statement.

Alzheimer's Disease and Related Disorders Association, Inc.
STATEMENTS OF ACTIVITIES
Year ended June 30, 2010
(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support				
Contributions	\$ 59,190	\$ 14,865	\$ 115	\$ 74,170
Less contributions remitted to Chapters	(32,022)	-	-	(32,022)
Add amounts received from Chapters under shared fundraising	<u>33,536</u>	<u>-</u>	<u>-</u>	<u>33,536</u>
Net contribution revenues	60,704	14,865	115	75,684
Book sales and other	10,235	-	-	10,235
Dividends and interest	1,646	323	-	1,969
Net assets released from restrictions	<u>19,024</u>	<u>(19,024)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	91,609	(3,836)	115	87,888
Expenses				
Program services				
Research	28,127	-	-	28,127
Public awareness and education	20,317	-	-	20,317
Chapter services	5,439	-	-	5,439
Public policy	4,229	-	-	4,229
Patient and family services	<u>5,344</u>	<u>-</u>	<u>-</u>	<u>5,344</u>
Total program services	63,456	-	-	63,456
Supporting services				
Management and general	4,547	-	-	4,547
Fundraising	<u>23,239</u>	<u>-</u>	<u>-</u>	<u>23,239</u>
Total supporting services	<u>27,786</u>	<u>-</u>	<u>-</u>	<u>27,786</u>
Total expenses	<u>91,242</u>	<u>-</u>	<u>-</u>	<u>91,242</u>
Excess (deficiency) from operations	367	(3,836)	115	(3,354)
Other changes in net assets				
Net realized and unrealized gains (losses) in value of investments	5,344	(93)	-	5,251
Change in value of split-interest agreements	(286)	(191)	-	(477)
Change in value of perpetual trust	-	-	401	401
Acquisition of dissolved chapters	206	2	2	210
Pledge write-off	<u>(100)</u>	<u>(377)</u>	<u>-</u>	<u>(477)</u>
Total other changes in net assets	<u>5,164</u>	<u>(659)</u>	<u>403</u>	<u>4,908</u>
CHANGE IN NET ASSETS	5,531	(4,495)	518	1,554
Net assets at beginning of year	<u>18,746</u>	<u>17,779</u>	<u>19,640</u>	<u>56,165</u>
Net assets at end of year	<u>\$ 24,277</u>	<u>\$ 13,284</u>	<u>\$ 20,158</u>	<u>\$ 57,719</u>

The accompanying notes are an integral part of this statement.

Alzheimer's Disease and Related Disorders Association, Inc.
 STATEMENT OF FUNCTIONAL EXPENSES
 Year ended June 30, 2011
 (In thousands)

	Program services					Supporting services			Total all expenses
	Research	Public awareness and education	Chapter services	Public Policy	Patient and family services	Management and general	Fundraising	Total	
Salaries and related benefits	\$ 3,099	\$ 4,583	\$ 5,174	\$ 186	\$ 4,409	\$ 1,622	\$ 6,806	\$ 8,428	\$ 25,879
Grants	12,371	-	602	4,236	323	-	-	-	17,532
Professional fees and consultants	1,858	889	1,078	57	1,296	506	5,578	6,084	11,262
Telephone, postage and supplies	226	3,695	219	16	364	1,307	1,272	2,579	7,099
Occupancy	291	548	563	73	707	45	291	336	2,518
Conferences and meetings	2,055	792	1,042	62	344	32	985	1,017	5,312
Printing and publications	1,242	13,750	294	17	64	1,820	3,895	5,715	21,082
Miscellaneous	3,728	65	177	6	87	284	1,301	1,785	5,848
Total expenses before depreciation	24,870	24,322	9,149	4,653	7,594	5,616	20,328	25,944	96,532
Depreciation of furniture, equipment and leasehold improvements	80	135	24	82	141	87	236	323	785
Total expenses	\$ 24,950	\$ 24,457	\$ 9,173	\$ 4,735	\$ 7,735	\$ 5,703	\$ 20,564	\$ 26,267	\$ 97,317

The accompanying notes are an integral part of this statement.

Alzheimer's Disease and Related Disorders Association, Inc.
 STATEMENT OF FUNCTIONAL EXPENSES
 Year ended June 30, 2010
 (In thousands)

	Program services					Supporting services			Total all expenses	
	Research	Public awareness and education	Chapter services	Public policy	Patient and family services	Total	Management and general	Fundraising		Total
Salaries and related benefits	\$ 2,525	\$ 4,278	\$ 3,326	\$ 2,126	\$ 2,990	\$ 15,245	\$ 874	\$ 8,209	\$ 9,083	\$ 24,328
Grants	14,464	-	360	176	427	15,427	-	-	-	15,427
Professional fees and consultants	1,096	1,224	657	696	556	4,829	269	5,665	5,934	10,763
Telephone, postage and supplies	409	3,400	85	147	369	4,410	1,066	2,190	3,256	7,666
Occupancy	724	600	84	180	495	2,083	656	667	1,323	3,406
Conferences and meetings	2,762	408	575	563	183	4,491	50	1,017	1,067	5,558
Printing and publications	1,326	10,158	231	165	108	11,988	1,468	4,287	5,755	17,743
Miscellaneous	4,147	114	52	96	42	4,451	94	854	948	5,399
Total expenses before depreciation	28,053	20,182	5,370	4,149	5,170	62,924	4,477	22,889	27,366	90,290
Depreciation of furniture, equipment and leasehold improvements	74	135	60	80	174	532	70	350	420	952
Total expenses	\$ 28,127	\$ 20,317	\$ 5,430	\$ 4,229	\$ 5,344	\$ 63,456	\$ 4,547	\$ 23,239	\$ 27,786	\$ 91,242

The accompanying notes are an integral part of this statement.

Alzheimer's Disease and Related Disorders Association, Inc.
STATEMENTS OF CASH FLOWS
Years ended June 30,
(In thousands)

	<u>2011</u>	<u>2010</u>
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ 10,901	\$ 1,554
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	785	952
Net realized and unrealized gains in value of investments	(8,276)	(5,251)
(Increase) decrease in pledges, chapter receivables, shared fundraising and other receivables	(6,797)	9,231
(Increase) decrease in inventories and prepaid expenses	(2,414)	3,209
Decrease in payables, accrued expenses and shared fundraising obligations	(2,533)	(5,473)
(Increase) decrease in deferred revenue	1,719	(440)
Decrease in deferred rent	(159)	(267)
(Increase) decrease in beneficial interest in split-interest agreements	(150)	41
Change in value of perpetual trusts	(1,800)	(596)
Decrease in gift annuity obligations	(57)	(534)
Contributions restricted for long-term investment	(97)	(115)
Acquisition of dissolved chapters	<u>-</u>	<u>(2)</u>
Net cash (used in) provided by operating activities	(8,878)	2,309
Cash flows from investing activities		
Purchase of equipment, net of proceeds from disposals	(650)	(466)
Proceeds from sale of investments	33,738	33,609
Purchases of investments	<u>(26,474)</u>	<u>(28,147)</u>
Net cash provided by investing activities	6,614	4,996
Cash flows from financing activities		
Proceeds from contributions restricted for		
Long-term investment	97	115
Acquisition of dissolved chapters	-	2
Investment subject to annuity agreement	<u>865</u>	<u>909</u>
Other financing activities	962	1,026
Payment of annuity obligations	<u>(792)</u>	<u>(615)</u>
Net cash provided by financing activities	<u>170</u>	<u>411</u>
NET CHANGE IN CASH	(2,094)	7,716
Cash at beginning of year	<u>12,803</u>	<u>5,087</u>
Cash at end of year	<u>\$10,709</u>	<u>\$12,803</u>

The accompanying notes are an integral part of these statements.

Alzheimer's Disease and Related Disorders Association, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2011

NOTE A - ORGANIZATION AND BASIS OF CONSOLIDATION

The Alzheimer's Association (the "Association"), incorporated as the Alzheimer's Disease and Related Disorders Association, Inc., is a not-for-profit, tax-exempt organization dedicated to achieving its mission: 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 Association's mission is carried out through research, education, public awareness, advocacy, programs and services. The Association's primary sources of revenue and support are contributions from the public, corporations and foundations.

There were 72 local chapters supported by the Association as of June 30, 2011. The accounts and operations of the local chapters were appropriately not included in the Association's financial statements. One chapter dissolved during the year ended June 30, 2011.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions and Presentation

All contributions are considered available for the general programs of the Association unless specifically restricted by the donor. The Association reports monetary gifts as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets or are subject to time restriction. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

For discounting purposes, pledges receivable are classified as either collectible in one year or less or collectible in multiple years. Those receivables deemed collectible in one year or less are stated at their full face value. Those classified as multi-year pledges are stated at their net present value, using a risk-adjusted discount rate.

Permanently restricted net assets are those assets for which donors require the principal of the gift to be maintained in perpetuity.

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 and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time the estimates are made, actual results could differ from those estimates.

Alzheimer's Disease and Related Disorders Association, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Year ended June 30, 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Allowances for Uncollectible Amounts

The Association evaluates the collectibility of its chapter receivables and pledges receivable based on the length of time the receivable is outstanding, historical experience and an assessment of business and economic conditions. The receivables are charged to the allowance for uncollectible amounts when they are deemed uncollectible.

Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out method. Inventories consist of education materials held for use in program services and sales to unrelated parties.

Investments

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the inputs used to measure fair value and specify disclosure requirements for fair value measurements. Furthermore, the Association maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but that are traded less frequently and investments that are fairly valued using other securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Alzheimer's Disease and Related Disorders Association, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Year ended June 30, 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Association. The Association considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Association's perceived risk of that instrument.

Valuation of Investments

Investments with values that are based on quoted market prices in active markets and are, therefore, classified within Level 1, include active listed equities. The Association does not adjust the quoted price for such instruments, even in situations where the Association holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but that are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include U.S. Government agency securities and corporate bonds.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The valuation of the beneficial interest in the split-interest agreements and perpetual trusts falls under Level 3, as there are no significant observable inputs. The trust valuations are based on assumptions about the present value of distributions to be received from the trusts.

The inputs used by the Association in estimating the Level 3 beneficial interests in split-interest agreements and perpetual trusts include mark-to-market adjustments, annuitant life expectancy, and future asset growth. Assumptions used by the Association due to the lack of observable inputs may significantly impact the resulting fair value of the investments and beneficial interest in the split-interest agreements and beneficial trusts and, therefore, the Association's results of operations.

Assets Held in Trust

Investments held in trust are carried at fair value. The investments represent contributions to 457(b) plans for the Chief Executive Officer/President and some senior staff. See note F for additional information about the terms of these plans.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are stated at cost. Depreciation on furniture and equipment is provided on a straight-line basis over the estimated useful lives (three to seven years) of the assets. Amortization of leasehold improvements is provided on a straight-line basis over the remaining life of the lease (up to 15 years).

Alzheimer's Disease and Related Disorders Association, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Year ended June 30, 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Shared Fundraising

Under the Shared Fundraising ("SFR") policy, the Association and chapters share all unrestricted contributed revenue received by either party from the chapter's geographical area based on a predetermined negotiated sharing percentage.

Grants Payable

The Association awards research grants generally covering a period of one to three years. Grant expense is recorded as an unconditional promise to give upon approval of the grant.

Deferred Revenue

Registration fees received for conferences to be held in a subsequent period are recognized as deferred revenue. These fees are recorded as unrestricted revenues in the period in which the conference is held.

Advertising Expense

Advertising expense is recorded in the period in which the advertising first takes place. Advertising expense was approximately \$8,273,000 and \$6,121,000 for the years ended June 30, 2011 and 2010, respectively.

Income Taxes

The Association is exempt from income tax under Internal Revenue Code ("IRC") section 501(c)(3), though it is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the IRC. The tax years ending 2008, 2009 and 2010 are still open to audit for both federal and state purposes.

New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued guidance that clarifies existing disclosures and requires new disclosures about fair value measurements. The clarifications and the requirement to disclose the amounts and reasons for significant transfers between Level 1 and Level 2 and significant transfers into and out of Level 3 of the fair value hierarchy are effective for periods beginning after December 15, 2009. The new requirement that purchases, sales, issuances, and settlements be presented gross in the Level 3 reconciliation is effective for fiscal years beginning after December 15, 2010, and for interim periods within those years, with early adoption permitted. Since this new guidance only amends the disclosure requirements, it will not have any impact on the Association's financial statements.

Alzheimer's Disease and Related Disorders Association, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Year ended June 30, 2011

NOTE C - PLEDGES RECEIVABLE

Pledges receivable, net of estimated uncollectible amounts and discounted to present value, are due to be collected as follows at June 30 (in thousands):

	<u>2011</u>	<u>2010</u>
Less than one year	\$11,630	\$12,981
One to five years	6,339	6,598
More than five years	<u>-</u>	<u>400</u>
	17,969	19,979
Less		
Unamortized discount	(600)	(764)
Allowance for uncollectible amounts	<u>(269)</u>	<u>(300)</u>
	<u>\$17,100</u>	<u>\$18,915</u>

As of June 30, 2011, discount rates on pledges receivable ranged from 1.84% to 5.15%.

NOTE D - INVESTMENTS

Investments are as follows at June 30 (in thousands):

	<u>2011</u>	<u>2010</u>
Short-term reserves and cash	\$ 173	\$ 250
Fixed income funds	22,967	22,443
Equities funds	31,292	30,263
Corporate bonds	-	367
U.S. Government agency securities	<u>1,478</u>	<u>1,658</u>
	<u>\$55,910</u>	<u>\$54,981</u>

Investment fees incurred totaled approximately \$95,000 and \$118,000 at June 30, 2011 and 2010, respectively, which were netted with dividends and interest income.

Alzheimer's Disease and Related Disorders Association, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Year ended June 30, 2011

NOTE E - DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarizes assets and liabilities by fair value hierarchy levels as of June 30 (in thousands):

	2011			Total
	Level 1	Level 2	Level 3	
Fixed income funds	\$22,967	\$ -	\$ -	\$22,967
Equities funds	31,292	-	-	31,292
U.S. Government agency securities	-	1,478	-	1,478
Beneficial interest in split-interest agreements	-	-	1,440	1,440
Beneficial interest in perpetual trusts	-	-	<u>10,799</u>	<u>10,799</u>
	<u>\$54,259</u>	<u>\$1,478</u>	<u>\$12,239</u>	<u>\$67,976</u>

	2010			Total
	Level 1	Level 2	Level 3	
Fixed income funds	\$22,443	\$ -	\$ -	\$22,443
Equities funds	30,368	-	-	30,368
Corporate bonds	-	367	-	367
U.S. Government agency securities	-	1,658	-	1,658
Beneficial interest in split-interest agreements	-	-	1,290	1,290
Beneficial interest in perpetual trusts	-	-	<u>8,999</u>	<u>8,999</u>
	<u>\$52,811</u>	<u>\$2,025</u>	<u>\$10,289</u>	<u>\$65,125</u>

The following table summarizes the changes in fair values associated with Level 3 assets (in thousands):

	Beneficial interest in split-interests agreements	Beneficial interest in Perpetual Trusts	Total
Balance at June 30, 2009	\$1,331	\$ 8,403	\$ 9,734
Additions	56	-	56
Unrealized (loss) gain	(8)	596	588
Payments received	<u>(89)</u>	<u>-</u>	<u>(89)</u>
Balance at June 30, 2010	1,290	8,999	10,289
Additions	73	-	73
Unrealized (loss) gain	100	1,800	1,900
Payments received	<u>(23)</u>	<u>-</u>	<u>(23)</u>
Balance at June 30, 2011	<u>\$1,440</u>	<u>\$10,799</u>	<u>\$12,239</u>

All net realized and unrealized gains (losses) in the table above are reflected in the accompanying statements of activities. Net unrealized gains (losses) relate to those investments held by the Association at year-end.

Alzheimer's Disease and Related Disorders Association, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Year ended June 30, 2011

NOTE F - DEFERRED COMPENSATION

Effective September 2006, a deferred compensation agreement was entered into with the Association's current Chief Executive Officer/President. The contract was revised in September 2008. Under the current agreement, the Association provides for deferred compensation of \$225,000 per year. The amount of \$225,000 due under the agreement was accrued and included in deferred compensation payable at June 30, 2011 and 2010.

The Association maintains deferred compensation plans for key employees, which provide that a certain percentage of the key employee's salary be accrued for the benefit of the participant. These plans are funded currently. The amounts of \$115,000 and \$105,000 due under the agreement were accrued and included in deferred compensation payable at June 30, 2011 and 2010, respectively, and the related investments are included in assets held in trust on the statements of financial position.

Deferred compensation payables are carried at fair value at June 30, as follows (in thousands):

	<u>2011</u>	<u>2010</u>
457(f) plan	\$ 892	\$667
457(b) plan	<u>115</u>	<u>105</u>
Deferred compensation payable	<u>\$1,007</u>	<u>\$772</u>

NOTE G - FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

At June 30, 2011 and 2010, furniture, equipment, and leasehold improvements and the related accumulated depreciation were as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 3,987	\$ 3,936
Equipment and software	8,885	8,325
Furniture and fixtures	<u>1,539</u>	<u>1,499</u>
Total	14,411	13,760
Less accumulated depreciation	(11,296)	(10,673)
Equipment not in service	<u>127</u>	<u>290</u>
Furniture, equipment and leasehold improvements, net	<u>\$ 3,242</u>	<u>\$ 3,377</u>

Alzheimer's Disease and Related Disorders Association, Inc.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 Year ended June 30, 2011

NOTE H - PERPETUAL TRUSTS AND SPLIT-INTEREST AGREEMENTS

The Association is a beneficiary of perpetual trusts administered by independent organizations. Under the terms of the trusts, the Association has irrevocable rights to receive portions of the income earned on the trust assets in perpetuity. The Association's beneficial interest in the trusts, at fair value, totaled approximately \$10,799,000 and \$8,999,000 at June 30, 2011 and 2010, respectively.

The Association is the beneficiary of charitable lead and remainder trust agreements held by independent trustees. Under the terms of the agreements, the Association has an unconditional right to receive all or a portion of specified cash flows from the agreements. The agreements are valued at fair value based upon expected future cash flows and discounted present value at a risk-adjusted rate. As of June 30, 2011 and 2010, the Association applied a discount rate of 2.96% and 3.52%, respectively. The Association's beneficial interest is \$1,440,000 and \$1,290,000 at June 30, 2011 and 2010, respectively.

The Association also has charitable gift annuity arrangements in which donors have contributed assets to the Association in exchange for a promise to pay a fixed amount for a specified period of time back to the donor. Gift annuity obligations represent the present value of future cash flows expected to be paid by the Association to the donors under these arrangements. Funds of approximately \$4,735,000 and \$4,792,000 at June 30, 2011 and 2010, respectively, have been segregated in separate accounts, the use of which is limited to meeting the gift annuity obligations.

NOTE I - GRANTS PAYABLE

Grants payable are discounted to present value. They are due to be disbursed as follows at June 30 (in thousands):

	<u>2011</u>	<u>2010</u>
Less than one year	\$17,653	\$21,961
One to five years	<u>9,858</u>	<u>10,392</u>
	27,511	32,353
Less unamortized discount	<u>(361)</u>	<u>(450)</u>
Grants payable, net	<u>\$27,150</u>	<u>\$31,903</u>

As of June 30, 2011, discount rates on grants payable ranged from 2.96% to 4.09%.

Alzheimer's Disease and Related Disorders Association, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Year ended June 30, 2011

NOTE J - CONTRIBUTED SERVICES

Contributed services are reflected as expenses and contributions at their estimated fair value at date of service. During 2011, the Association received approximately \$3,933,000 as contributed services. Of these non-monetary transactions, \$3,557,000 was recorded as program expense for the Medical Science grants review process and the Alzheimer's Association International Conference and \$376,000 for fundraising expenses. During 2010, the Association received approximately \$3,989,000 as contributed services. Of these non-monetary transactions, \$3,819,000 was recorded as program expense for the Medical Science grants review process and \$170,000 for the International Conference.

NOTE K - ALLOCATION OF JOINT COSTS

For the years ended June 30, 2011 and 2010, the Association incurred expenses related to the distribution of informational materials that included fundraising appeals. The Association allocated these costs as follows for the years ended June 30 (in thousands):

	<u>2011</u>	<u>2010</u>
Public awareness and education	\$ 8,686	\$ 8,186
Fundraising	4,344	4,379
Management and general	<u>2,556</u>	<u>2,606</u>
	<u>\$15,586</u>	<u>\$15,171</u>

NOTE L - RETIREMENT PLANS

The Association has a defined contribution retirement plan covering substantially all of its full-time employees. Under the terms of the defined contribution plan prior to May 1, 2001, the Association was required to contribute, at a minimum, an amount equal to 10% of the annual compensation of the plan participants. Effective May 1, 2001, the Association contributes, at a minimum, an amount equal to 6% of the annual compensation of the plan's participants to the defined contribution plan. Also effective May 1, 2001, the Association matches 100% of an employee's contribution up to 5% of the employee's annual compensation.

The Association's policy is to fund retirement plan costs as they are accrued. Contribution expense related to the defined contribution plan totaled approximately \$1,739,000 and \$1,579,000 for the years ended June 30, 2011 and 2010, respectively.

Alzheimer's Disease and Related Disorders Association, Inc.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 Year ended June 30, 2011

NOTE M - COMMITMENTS - OPERATING LEASE OBLIGATIONS

The Association currently has a 15-year operating lease agreement for office space in Chicago, Illinois that expires March 31, 2018. This lease agreement includes inducements totaling approximately \$3,010,000 for leasehold improvements. The lease inducements are reflected as deferred rent in the accompanying statements of financial position and are being amortized on a straight-line basis over the term of the lease agreement.

The Association also has a lease agreement for office space in Washington, D.C. that has been accounted for as an operating lease in the accompanying financial statements. The current lease expires August 31, 2010. The Association has entered into a new lease in Washington, D.C. effective September 1, 2010 through November 30, 2020. The Association has also entered into eight short-term leases for the service area offices. These offices replaced dissolved or disaffiliated chapters. The leases range in length from one to 55 months. The aggregate rent obligation is \$181,000, which is included in the schedule below.

Rental expense under the lease agreements totaled approximately \$1,222,000 and \$1,100,000 for the years ended June 30, 2011 and 2010, respectively.

Operating lease obligations for office equipment, including copiers and mailing systems are also included in the obligations stated below.

Future rental commitments, as of June 30, 2011, for all non-cancelable operating leases are as follows (in thousands):

Years ending June 30,

2012	\$ 1,489
2013	1,463
2014	1,487
2015	1,324
2016	1,340
Thereafter	<u>3,459</u>
	<u>\$10,562</u>

NOTE N - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30 (in thousands):

	<u>2011</u>	<u>2010</u>
Research	\$11,073	\$11,269
Miscellaneous projects	1,322	1,439
Time restricted	<u>1,527</u>	<u>576</u>
	<u>\$13,922</u>	<u>\$13,284</u>

Alzheimer's Disease and Related Disorders Association, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Year ended June 30, 2011

NOTE O - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity. Permanently restricted net assets were as follows as of June 30 (in thousands):

	<u>2011</u>	<u>2010</u>
John P. Green, Jr. Charitable Foundation Trust	\$ 7,793	\$ 6,450
Evelyn T. Stone Memorial Fund	2,511	2,433
George Graff Perpetual Trust	1,286	911
Samuel A. Blank Research Fund	1,255	1,253
National Alzheimer's Research Fund Endowment	1,000	1,000
Stephanie Aschemeyer Endowment Fund	897	897
John Lyman Bogert Memorial Research Fund	750	750
Harold W. and Georgiana Spaght Memorial Fund	601	601
Mary J. Wickstrom Estate	500	500
George F. Berlinger Memorial Fund	450	450
I.J. Berkson Research Fund	437	437
Alburger Perpetual Trust	426	396
Edna Curl Endowment Fund	411	403
Ruth Templeton Henney Alzheimer's Research Foundation	361	361
Hindenburg Perpetual Trust	352	401
Norman Gotlieb and Bertha Chrystall Gotlieb Fund	320	310
William Edmonson Trust	255	214
Mr. and Mrs. Neil Bluhm Pilot Research Grant Fund	252	252
The Blum-Kovler Foundation Pilot Research Grant Fund	250	250
Arthur and Josephine Lowell Charitable Foundation Trust	241	226
Donald R. McLennan Jr. Research Fund	212	212
Ruth Bates Charitable Trust	159	139
David Finkle Pilot Research Grant Fund	153	153
Sara & Soloman Hartman Family Charitable Trust	143	128
Sperry Charitable Trust	142	134
Omens/Normand Research Fund	120	120
Marian Burke Research Scholarship Fund	120	120
The Plotkin-Wollin Research Fund	119	119
Helen and Philip Brody Pilot Research Grant Fund	100	100
Plumsock Fund	100	100
Individual funds less than \$100	<u>339</u>	<u>338</u>
	<u>\$22,055</u>	<u>\$20,158</u>

Alzheimer's Disease and Related Disorders Association, Inc.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 Year ended June 30, 2011

NOTE P - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows for the years ended June 30 (in thousands):

	<u>2011</u>	<u>2010</u>
Purpose restrictions accomplished		
Research	\$14,656	\$15,541
Miscellaneous projects	1,149	3,425
Time restricted	<u>14</u>	<u>58</u>
Total net assets released from restrictions	<u>\$15,819</u>	<u>\$19,024</u>

NOTE Q - ENDOWMENT NET ASSETS

Permanently restricted net assets are restricted as investments in perpetuity. The Association's endowment only consists of donor-restricted endowment funds. Net assets associated with the Association's endowment funds are classified and reported based on the existence of donor-imposed restrictions. Donors restrict the earnings of some of the Association's endowment funds to fund the Association's research program. In accordance with donor stipulations, the income generated from these assets is restricted for research (approximately 55%) or not purpose restricted (approximately 45%).

The Association accounts for endowment net assets by preserving the amount of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, the Association classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment fund. The Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Association and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effects of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Association.
7. The investment policies of the Association.

The Association has adopted an investment policy that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As of June 30, 2011, endowment assets only include those assets of donor-restricted funds that the Association must hold in perpetuity, as the Association does not have any Board-designated endowment funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide adequate liquidity, maximizing returns on all funds invested and achieving full employment of all available funds as earning assets. The Association has an active Finance Committee and Investment Sub-Committee that meets regularly to ensure that the objectives of the investment policy are

Alzheimer's Disease and Related Disorders Association, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Year ended June 30, 2011

NOTE Q - ENDOWMENT NET ASSETS - Continued

being met, and that the strategies used to meet the objectives are in accordance with the investment policy. The Association's policy is to appropriate spending amounts deemed prudent for donor-restricted funds.

Changes in endowment net assets for the fiscal years ended June 30, 2011 and 2010, are as follows (in thousands):

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2009	\$(2,381)	\$ -	\$10,507	\$ 8,126
New gifts	-	-	117	117
Dividends and interest	267	-	-	267
Net appreciation (realized and unrealized)	<u>929</u>	<u>-</u>	<u>-</u>	<u>929</u>
Endowment net assets, June 30, 2010	(1,185)	-	10,624	9,439
New gifts	-	-	97	97
Dividends and interest	362	-	-	362
Net appreciation (realized and unrealized)	<u>823</u>	<u>906</u>	<u>-</u>	<u>1,729</u>
Endowment net assets, June 30, 2011	<u>\$ -</u>	<u>\$906</u>	<u>\$10,721</u>	<u>\$11,627</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or state law requires the Association to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. There was no deficiency as of June 30, 2011. The deficiency was approximately \$1,185,000 as of June 30, 2010.

NOTE R - CONCENTRATION OF CREDIT RISK

Certain financial instruments subject the Association to credit risk. Those financial instruments consist primarily of cash, accounts receivable, beneficial interest in split-interest agreements and investments. The Association maintains its cash balance in financial institutions 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 on cash. Concentration of credit risk with respect to receivables is limited due to the large number of accounts and low average cash balance. Concentration of credit risk with respect to the beneficial interest in split-interest agreements is limited through the diversification of the trust assets. The Association's investment policy also stipulates appropriate diversification of investment balances. As of June 30, 2011 and 2010, the Association had no significant concentration of credit risk in investments.

Alzheimer's Disease and Related Disorders Association, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Year ended June 30, 2011

NOTE S - SUBSEQUENT EVENTS

The Association evaluated its June 30, 2011 financial statements for subsequent events through October 21, 2011, the date the financial statements were available to be issued. The Association is not aware of any subsequent events that would require recognition or disclosure in the financial statements.