

**Alzheimer's Association,
Northern California and
Northern Nevada**

Financial Report

June 30, 2008

(With Comparative Totals for 2007)

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 16
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION	17
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS	18 – 19
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	20 – 21

Audit Committee and Board of Directors
Alzheimer's Association,
Northern California and Northern Nevada
Mountain View, California

Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

San Francisco
Palo Alto
San Jose
St. Helena

We have audited the accompanying statement of financial position of Alzheimer's Association, Northern California and Northern Nevada (the Association) as of June 30, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's June 30, 2007 financial statements and, in our report dated September 27, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Association, Northern California and Northern Nevada as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2008, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Frank, Rineerman & Co. LLP

September 29, 2008

Alzheimer's Association, Northern California and Northern Nevada
Statement of Financial Position
June 30, 2008 (With Comparative Totals for 2007)

ASSETS		
	2008	2007
Current Assets		
Cash and cash equivalents	\$ 1,147,522	\$ 1,255,573
Contributions receivable, net	1,708,339	711,518
Accounts receivable	63,816	139,903
Investments	22,466	21,698
Prepaid expenses and other	201,153	217,921
Due from Alzheimer's Disease and Related Disorders Association, Inc. related to shared fundraising, net	-	125,808
Total current assets	3,143,296	2,472,421
Contributions Receivable, net	561,099	335,783
Property and Equipment, net	295,397	184,827
Investments	231,483	231,483
Total assets	\$ 4,231,275	\$ 3,224,514
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 475,780	\$ 444,153
Due to Alzheimer's Disease and Related Disorders Association, Inc. related to shared fundraising, net	291,699	-
Deferred support and revenue	19,883	9,573
Capital lease obligations, current portion	45,756	-
Due to Alzheimer's Disease and Related Disorders Association, Inc.	-	19,143
Total current liabilities	833,118	472,869
Deferred Rent	16,630	-
Capital Lease Obligations, net of current portion	152,519	-
Due to Alzheimer's Disease and Related Disorders Association, Inc.	-	68,131
Total liabilities	1,002,267	541,000
Commitments (Notes 1 and 10)		
Net Assets		
Unrestricted	1,878,932	1,949,637
Temporarily restricted	1,175,447	559,248
Permanently restricted	174,629	174,629
Total net assets	3,229,008	2,683,514
Total liabilities and net assets	\$ 4,231,275	\$ 3,224,514

See Notes to Financial Statements

Alzheimer's Association, Northern California and Northern Nevada
Statement of Activities
Year Ended June 30, 2008 (With Comparative Totals for 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2008	Total 2007
Public Support and Revenue					
Contributions:					
Individuals	\$ 2,294,811	\$ 2,233,290	\$ -	\$ 4,528,101	\$ 3,538,631
Memorials	159,265	4,330	-	163,595	207,556
Foundation grants	102,688	297,777	-	400,465	318,496
In-kind contributions	8,674	-	-	8,674	11,488
Increase (decrease) in revenue under Shared Fundraising					
Agreement with National	684,709	(2,022,997)	-	(1,338,288)	(979,525)
Grants:					
Corporate grants	20,376	97,610	-	117,986	99,726
Other grants	572,280	-	-	572,280	862,978
Grants from National	2,341	-	-	2,341	123,120
Special events	2,334,594	332	-	2,334,926	2,001,789
Total public support	6,179,738	610,342	-	6,790,080	6,184,259
Revenue:					
Program service fees	158,286	-	-	158,286	150,012
Interest and dividends	47,484	5,857	-	53,341	76,316
Other income	90,233	-	-	90,233	53,388
Total revenue	296,003	5,857	-	301,860	279,716
Net assets released from restrictions	-	-	-	-	-
Total public support and revenue	6,475,741	616,199	-	7,091,940	6,463,975
Expenses					
Program services:					
Education	2,626,812	-	-	2,626,812	2,295,945
Patient and family services	2,276,035	-	-	2,276,035	2,287,999
Public policy	242,000	-	-	242,000	207,470
Research	11,818	-	-	11,818	12,147
	5,156,665	-	-	5,156,665	4,803,561
Management and general	390,575	-	-	390,575	388,584
Fundraising	999,206	-	-	999,206	896,602
Total expenses	6,546,446	-	-	6,546,446	6,088,747
Change in Net Assets	(70,705)	616,199	-	545,494	375,228
Net Assets, June 30, 2007	1,949,637	559,248	174,629	2,683,514	2,308,286
Net Assets, June 30, 2008	\$ 1,878,932	\$ 1,175,447	\$ 174,629	\$ 3,229,008	\$ 2,683,514

See Notes to Financial Statements

Alzheimer's Association, Northern California and Northern Nevada
Statement of Functional Expenses
Year Ended June 30, 2008 (With Comparative Totals for 2007)

	Program Services				Support Services		Total 2008	Total 2007
	Education	Patient and Family Services	Public Policy	Research	Management and General	Fundraising		
Direct Expenses:								
Salaries	\$ 1,327,554	\$ 1,172,081	\$ 97,412	\$ 1,748	\$ 137,679	\$ 506,852	\$ 3,243,326	\$ 3,014,047
Benefits	183,679	162,168	13,478	242	19,049	70,127	448,743	434,163
Payroll taxes	104,884	92,600	7,696	138	10,877	40,044	256,239	215,933
Professional fees	71,578	167,327	31,691	-	18,005	53,647	342,248	258,400
Distributed materials	5,226	219	43	-	30	1,495	7,013	10,049
Office supplies	42,048	39,441	909	94	19,133	8,951	110,576	85,579
Telephone	59,493	55,805	1,286	133	27,071	12,664	156,452	151,862
Postage and delivery	42,108	39,498	910	94	19,160	8,963	110,733	99,204
Occupancy	204,473	180,527	15,004	269	21,206	78,067	499,546	446,432
Repairs and maintenance	57,892	51,112	4,248	76	6,004	22,103	141,435	140,602
Insurance	887	11,907	-	-	10,187	1,875	24,856	23,111
Printing and publications	257,223	10,756	2,111	-	1,506	73,579	345,175	274,579
Promotional materials	61,643	2,578	506	-	361	17,633	82,721	53,575
Staff and volunteer	11,276	2,102	1,927	154	515	4,362	20,336	12,068
Travel and conferences	126,005	23,485	21,534	1,720	5,754	48,745	227,243	187,667
Dues to California Council	-	-	43,245	-	-	-	43,245	39,580
Bad debts	-	-	-	-	74,807	-	74,807	66,171
Miscellaneous	27,501	12,563	-	-	7,681	48,180	95,925	112,418
Specific assistance	43,342	197,351	-	7,150	-	-	247,843	434,341
Total direct expenses	2,626,812	2,221,520	242,000	11,818	379,025	997,287	6,478,462	6,059,781
Depreciation and Amortization	-	54,515	-	-	11,550	1,919	67,984	28,966
Total expenses	\$ 2,626,812	\$ 2,276,035	\$ 242,000	\$ 11,818	\$ 390,575	\$ 999,206	\$ 6,546,446	\$ 6,088,747

See Notes to Financial Statements

Alzheimer's Association, Northern California and Northern Nevada
Statement of Cash Flows
Year Ended June 30, 2008 (With Comparative Totals for 2007)

	2008	2007
Cash Flows from Operating Activities		
Cash received from donors and grantors	\$ 5,644,030	\$ 6,758,150
Cash received from other sources	301,860	279,716
Cash paid to employees and suppliers	(6,403,127)	(6,199,194)
Cash received from (paid to) Alzheimer's Disease and Related Disorders Association, Inc., net	330,233	(25,956)
Net cash provided by (used in) operating activities	<u>(127,004)</u>	<u>812,716</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(70,262)	(124,586)
Purchase of investments	(768)	(11,257)
Net cash used in investing activities	<u>(71,030)</u>	<u>(135,843)</u>
Cash Flows from Financing Activities		
Proceeds from financing of property and equipment purchased in 2007 under capital lease obligations	120,487	-
Repayment of capital lease obligations	(30,504)	-
Net cash provided by financing activities	<u>89,983</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(108,051)	676,873
Cash and Cash Equivalents, beginning of year	1,255,573	578,700
Cash and Cash Equivalents, end of year	<u>\$ 1,147,522</u>	<u>\$ 1,255,573</u>
Reconciliation of Change in Net Assets to Net Cash provided by (used in) Operating Activities:		
Cash Flows from Operating Activities		
Change in net assets	\$ 545,494	\$ 375,228
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	67,984	28,966
Change in allowance for doubtful accounts for contributions receivable	109,455	14,017
Change in discount on contributions receivable	32,831	36,100
Changes in operating assets and liabilities:		
Contributions receivable	(1,364,423)	537,663
Accounts receivable	76,087	(13,889)
Prepaid expenses and other current assets	16,768	(29,226)
Accounts payable and accrued expenses	31,627	12,703
Deferred support and revenue	10,310	(122,890)
Due to Alzheimer's Disease and Related Disorders Association, Inc., net	330,233	(25,956)
Deferred rent	16,630	-
Net cash provided by (used in) operating activities	<u>\$ (127,004)</u>	<u>\$ 812,716</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 6,200</u>	<u>\$ -</u>
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Financing of property and equipment under capital lease obligations	<u>\$ 108,292</u>	<u>\$ -</u>

See Notes to Financial Statements

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**

1. Organization

Alzheimer's Association, Northern California and Northern Nevada (the Association), a nonprofit public benefit corporation, is a member chapter of Alzheimer's Disease and Related Disorders Association, Inc. (National).

The Association has offices in Mountain View, Lafayette, Santa Cruz, Monterey, San Rafael, Santa Rosa, Sacramento, and Chico, California and in Reno, Nevada. The Association provides information, guidance and support to individuals afflicted with Alzheimer's disease, or related brain disorders, and to the families of those so afflicted. The Association maintains a toll-free information and referral service, offers free educational materials, coordinates support groups for caregivers, and publishes a newsletter.

Effective July 1, 2006, the Association and National entered into a Shared Fundraising Agreement (the Fundraising Agreement). The Fundraising Agreement is designed to coordinate and unify fundraising efforts by means of direct marketing, planned gifts, major gifts, corporate and foundation relations, general development and special events in Northern California and Northern Nevada. Under the Fundraising Agreement, the Association and National allocate percentages of shared revenues, as defined, among the Association, National and the Mission Fund, based on percentages contained in the Fundraising Agreement. The Mission Fund was established as part of the Fundraising Agreement to benefit National and all of its chapters, as a whole. Gifts restricted for a specific purpose are recognized as revenue by the party fulfilling the restriction and are not shared revenues. Under the terms of the Fundraising Agreement, the Association is not required to pay dues to National.

Effective July 1, 2007, the Association and National entered into a revised Fundraising Agreement, which changed the percentages of shared revenues between National and the Mission Fund and provided for a termination date of July 1, 2012, unless terminated by either party on June 30, 2010 or June 30, 2011, upon at least six months prior written notice.

2. Significant Accounting Policies

Basis of Presentation:

The Association prepares its financial statements in accordance with provisions of Statement of Financial Accounting Standards (SFAS) No. 117 (SFAS 117), *Financial Statements of Not-for-Profit Organizations*. SFAS 117 requires not-for-profit organizations to segregate their assets, liabilities, and operations into three categories: unrestricted, temporarily restricted and permanently restricted.

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**

2. Significant Accounting Policies (continued)

Basis of Presentation: (continued)

The Association's net assets and changes therein are classified and reported as follows:

Unrestricted net assets consist of net assets for which there are no donor-imposed restrictions or such donor-imposed restrictions were temporary and expired during the current or previous years. Unrestricted net assets include those expendable resources that have been designated for special use by the Board of Directors.

Temporarily restricted net assets consist of contributions received that are restricted for specific purposes or for subsequent periods. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Temporarily restricted net assets consist of cash and cash equivalents and receivables.

Permanently restricted net assets consist of all contributions received from donors that are subject to restrictions requiring the funds to be maintained permanently for the purpose of producing support for the Association. Income from these assets is recorded as unrestricted net assets unless otherwise restricted by donor stipulations. Permanently restricted net assets consist of endowment investments to be held in perpetuity.

Revenue Recognition:

The Association accounts for contributions and promises to give in accordance with provisions of SFAS No. 116 (SFAS 116), *Accounting for Contributions Received and Contributions Made*. SFAS 116 requires that contributions received, including unconditional promises to give (pledges), be recognized as revenue at their fair value in the period the contribution or pledge is made. SFAS 116 also requires not-for-profit organizations to distinguish between contributions that increase any of the three categories of net assets, with recognition being made of the expiration of donor-imposed restrictions in the period in which the restrictions expire. Contributions to be received from estates or trusts are recorded in the period in which sufficient information is provided to the Association to reasonably estimate future cash flows. Contributions to be received after one year are reflected at the present value of estimated future cash flows.

Revenue received for services or events not yet provided is classified as deferred support and revenue, and is recognized in the period in which the service or event funded by the money is provided.

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**

2. Significant Accounting Policies (continued)

Cash Equivalents:

For purposes of the Statement of Cash Flows, cash and cash equivalents includes all short-term, highly liquid investments purchased with a remaining maturity of three months or less.

Investments:

Investments in marketable securities are reported at fair value. Unrealized gains and losses are included in other income. Income and gains on restricted investments are reported as increases in unrestricted net assets unless otherwise restricted by the donor. At June 30, 2008 and 2007, the fair value of investments approximated their cost.

Property and Equipment:

The Association capitalizes property and equipment acquisitions over \$1,000. Expenditures that increase the life of existing assets are capitalized. Maintenance and repairs are charged to operations as incurred. Purchased or constructed assets are recorded at cost. Donated assets are recorded as contributions at their estimated fair value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to seven years. Leasehold improvements are amortized over the lesser of the related lease term or the estimated useful lives of the assets. The Association does not record depreciation on construction in progress until the assets are placed in service. The Association reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of assets may not be recoverable.

Income Taxes:

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and State franchise taxes under Section 23701d of the California Revenue and Taxation Code.

Donated Services:

Donated services are recognized as contributions at their fair value, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by individuals possessing those skills, and would otherwise be purchased by the Association if not provided by donations.

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**

2. Significant Accounting Policies (continued)

Donated Services: (continued)

A substantial number of volunteers have donated significant amounts of time and perform a variety of tasks related to the Association's program operations and fund-raising campaigns which do not meet the criteria for recognition as donated services. Accordingly, no amounts have been recognized for these services in the accompanying financial statements.

Special Events:

During 2008, the Association recognized \$2,334,926 in revenue from fund raising events (\$2,001,789 in 2007), of which \$2,163,220 was raised from the Memory Walk (\$1,830,215 in 2007). Special events represented 33% of total public support and revenue (31% in 2007). Costs related to these special events are included in fund raising expenses.

Functional Expenses:

The costs of providing the Association's various programs and services have been summarized on a functional basis in the Statement of Functional Expenses. Directly identifiable expenses are charged to the related program or service benefited. Indirect expenses are allocated to programs and services based principally on the percentage of personnel time spent in each area.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk:

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The Association maintains its cash accounts at various commercial banks and financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures cash on deposit at each bank up to \$100,000. The Association's cash balances may exceed this insured limit from time to time.

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**

2. Significant Accounting Policies (continued)

Concentration of Credit Risk: (continued)

The Association periodically evaluates the collectibility of its receivables and provides an allowance for potential credit losses, as needed. Historically, credit losses from uncollected receivables have not been significant. The allowance for doubtful accounts of \$139,042 at June 30, 2008 includes \$89,042, which was established under the terms of the Fundraising Agreement with National (the total allowance of \$29,587 was established under the terms of the Fundraising Agreement with National at June 30, 2007).

Recent Accounting Pronouncements:

In July 2006, the Financial Accounting Standards Board issued Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which interprets SFAS No. 109, *Accounting for Income Taxes*. FIN 48 applies to financial statements of non-public entities, including entities that are tax exempt, that are issued for fiscal years beginning after December 15, 2007. The Association believes FIN 48 will not impact its future financial statements.

In September 2006, the Financial Accounting Standards Board issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. The application of FAS 157 is required for financial statements for fiscal years beginning after November 15, 2007. As of June 30, 2008, the Association's management believes the adoption of SFAS 157 will not impact the amounts reported in the financial statements. However, additional disclosures may be required.

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**

3. Contributions Receivable

Contributions receivable are recorded at net realizable value calculated using discount rates of 3% to 8% per annum. Contributions receivable consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Research contributions	\$ 1,000,000	\$ 408,941
Other public support	<u>1,523,019</u>	<u>749,655</u>
	2,523,019	1,158,596
Less discount to net present value	(114,539)	(81,708)
Less allowance for doubtful accounts	<u>(139,042)</u>	<u>(29,587)</u>
Net contributions receivable	<u>\$ 2,269,438</u>	<u>\$ 1,047,301</u>
Amounts receivable in:		
Less than one year	\$ 1,763,019	\$ 733,798
One to five years	<u>760,000</u>	<u>424,798</u>
	<u>\$ 2,523,019</u>	<u>\$ 1,158,596</u>

4. Investments

Investments consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Certificates of deposit	\$ 22,466	\$ 21,698
Mutual funds	63,752	63,752
U.S. government bonds	<u>167,731</u>	<u>167,731</u>
	<u>\$ 253,949</u>	<u>\$ 253,181</u>

Income from investments consists of the following for the year ended June 30:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 1,000	\$ 35,440
Realized and unrealized gains (losses), net	<u>-</u>	<u>8,960</u>
	<u>\$ 1,000</u>	<u>\$ 44,400</u>

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**

5. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Furniture and fixtures	\$ 387,559	\$ 195,931
Equipment	623,887	602,753
Leasehold improvements	252,025	183,365
Construction in progress	<u>-</u>	<u>102,865</u>
	1,263,471	1,084,914
Less accumulated depreciation and amortization	<u>968,074</u>	<u>900,087</u>
	<u>\$ 295,397</u>	<u>\$ 184,827</u>

Property and equipment acquired under capital leases totaled \$228,779 at June 30, 2008. Accumulated depreciation and depreciation expense related to property and equipment acquired under capital leases totaled \$29,000 as of and for the year ended June 30, 2008.

6. Line of Credit

The Association has an unsecured \$500,000 line of credit. Borrowings under the line bear interest at 1.50% plus the bank's prime rate (6.50% at June 30, 2008). As of June 30, 2008, the Association had not borrowed against the line of credit.

7. Restrictions on Net Assets

Temporarily restricted net assets are restricted to the following purposes or periods at June 30:

	<u>2008</u>	<u>2007</u>
Programs and services	\$ 115,490	\$ 3,607
For subsequent periods	<u>1,059,957</u>	<u>555,641</u>
	<u>\$ 1,175,447</u>	<u>\$ 559,248</u>

During 2008, after reduction in temporarily restricted revenue under the Fundraising Agreement, there were no additional net assets released from temporarily restricted net assets.

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**

8. Related Party Transactions

Amounts Due to/from National:

As of June 30, 2007, the Association had a liability of \$87,274 representing research contributions receivable from donors that were recorded prior to the effective date of the Fundraising Agreement with National. The Association was required to remit these funds to National as they were collected from the donors. The Association collected and remitted the full amount of the liability to National during 2008 (\$323,107 in 2007).

Under the Fundraising Agreement with National, the Association received 60% of shared revenues, as defined, during the years ended June 30, 2008 and 2007. As of June 30, 2008, the Association owes National \$291,699, representing the reconciliation of shared revenues allocated under the terms of the Fundraising Agreement (National owed the Association \$125,808 as of June 30, 2007).

Alzheimer's Los Angeles, Riverside, and San Bernardino Counties Chapter:

During the year ended June 30, 2008, the Association received and expended \$14,000 in federal funds passed through from the Alzheimer's Los Angeles, Riverside, and San Bernardino Counties Chapter (\$171,000 in 2007).

9. In-kind Contributions

During 2008, the Association recognized contribution revenue of \$9,000 for the estimated fair value of in-kind donations of services and tangible items received (\$11,000 in 2007).

10. Lease Commitments

Operating Leases:

The Association has non-cancelable operating facility lease agreements that expire at various dates through June 2014. Under the terms of the leases, the Association is responsible for maintaining liability and property damage insurance, and paying certain allocable operating expenses.

The agreements provide for scheduled minor rent increases over the terms of the leases. Rent expense, including allocated operating costs, was \$500,000 in 2008 (\$446,000 in 2007).

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**

10. Lease Commitments (continued)

Operating Leases: (continued)

Future minimum lease payments are as follows for years ending June 30:

2009	\$ 324,000
2010	216,000
2011	221,000
2012	220,000
2013	201,000
2014	<u>166,000</u>
	<u>\$ 1,348,000</u>

Capital Leases:

As of June 30, 2008, the Company is obligated under capital lease agreements for the purchase of property and equipment.

Future minimum lease payments required under the capital lease agreements, exclusive of related taxes, are as follows for the years ending June 30:

2009	\$ 55,000
2010	55,000
2011	55,000
2012	55,000
2013	<u>18,000</u>
	238,000
Less amounts representing interest at 9.13% - 11.22%	<u>39,000</u>
	199,000
Less current portion of capital lease obligations	<u>46,000</u>
Capital lease obligations, less current portion	<u>\$ 153,000</u>

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Financial Statements**

11. Employee Benefit Plan

The Association has a defined contribution 403(b) plan for its employees. Employees may elect to participate after one year of employment and can contribute a portion of their salaries up to the maximum defined by sections 415 and 403(b) of the Internal Revenue Code. Discretionary contributions are allowed under the plan up to 5.50% of total salaries. Discretionary contributions of \$143,000 were made during the year ended June 30, 2008 (\$129,000 in 2007).

Audit Committee and Board of Directors
Alzheimer's Association,
Northern California and Northern Nevada
Mountain View, California

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION

Our report on our audit of the 2008 financial statements of Alzheimer's Association, Northern California and Northern Nevada (the Association) appears on pages 1 and 2. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Frank, Rimerman & Co. LLP

FRANK, RIMERMAN & CO. LLP

Palo Alto, California
September 29, 2008

**Alzheimer's Association,
Northern California and Northern Nevada
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2008**

<u>Grantor/Pass-through Grantor Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<i>Federal Awards:</i>			
Pass-Through Programs:			
U.S. Department of Health and Human Services			
Alzheimer's Demonstration Grant			
Alzheimer's Association, Los Angeles, Riverside and San Bernardino Counties Chapter	93.051	90AZ2807/07	\$ 13,964
State of Nevada, Division for Aging Services-Demonstration-Voucher Services	93.051	18-010-43-AM-08	83,135
Special Programs for the Aging			
Council on Aging, Silicon Valley	93.044	None	13,610
Family Caregiver Support Services			
Council on Aging, Silicon Valley	93.052	None	47,020
Monterey County Area Agency on Aging Employment and Human Services	93.052	None	32,500
Department of Contra Costa County	93.052	40-160-8	49,984
County of San Mateo	93.052	None	22,673
		None	18,000
Alameda County Area Agency on Aging	93.052	SE08-127	32,195
	93.052	SE07-127a	3,317
Department of Health and Human Services Marin County			
	93.052	None	44,301
	93.052	None	1,321
San Benito and Santa Cruz Counties			
Senior Network Services	93.052	0708-08	<u>5,232</u>
Total expenditures of federal awards (carried forward)			<u>\$ 367,252</u>

(continued)

**Alzheimer’s Association,
Northern California and Northern Nevada
Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2008**

<u>Grantor/Pass-through Grantor Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
Total expenditures of federal awards (brought forward)			<u>\$ 367,252</u>
<i>State Awards:</i>			
<i>Pass-Through Programs:</i>			
State of Nevada, Division for Aging Services – Independent Living	N/A	18-010-43-AM-08	118,760
	N/A	18-010-45-LX-08-L	<u>40,856</u>
Total expenditures of state awards			<u>159,616</u>
Total expenditures of federal and state awards			<u>\$ 526,868</u>

Audit Committee and Board of Directors
Alzheimer's Association,
Northern California and Northern Nevada
Mountain View, California

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of Alzheimer's Association, Northern California and Northern Nevada (the Association) as of and for the year ended June 30, 2008, and have issued our report thereon dated September 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Alzheimer's Association, Northern California and Northern Nevada in a separate letter dated September 29, 2008.

This report is intended solely for the information and use of the Association's Board of Directors, audit committee and management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



FRANK, RIMERMAN & CO. LLP

Palo Alto, California
September 29, 2008