

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

Financial Report

June 30, 2011

(With Comparative Totals for 2010)

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

Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

New York
Palo Alto
San Francisco
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, 2011, 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, 2010 financial statements and, in our report dated September 28, 2010, 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, 2011, 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 27, 2011, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Frank, Rimerman + Co. LLP

September 27, 2011

Alzheimer's Association, Northern California and Northern Nevada
Statement of Financial Position
June 30, 2011 (With Comparative Totals for 2010)

	ASSETS	
	2011	2010
Current Assets		
Cash and cash equivalents	\$ 2,230,430	\$ 1,913,641
Contributions receivable, net	1,672,935	1,852,991
Accounts receivable	247,295	191,931
Investments	723,263	23,135
Prepaid expenses and other current assets	181,455	100,704
Total current assets	5,055,378	4,082,402
Contributions Receivable, net	867,916	1,007,730
Property and Equipment, net	130,492	179,866
Investments	230,835	205,940
Deposits	35,882	33,038
Total assets	\$ 6,320,503	\$ 5,508,976
	LIABILITIES AND NET ASSETS	
Current Liabilities		
Accounts payable and accrued expenses	\$ 293,681	\$ 418,475
Due to Alzheimer's Disease and Related Disorders Association, Inc. (National), net	394,360	823,370
Deferred support and revenue	10,534	10,339
Capital lease obligations, current portion	45,756	45,756
Total current liabilities	744,331	1,297,940
Deferred Rent	22,762	25,762
Capital Lease Obligations, net of current portion	15,252	61,008
Total liabilities	782,345	1,384,710
Commitments (Notes 1 and 8)		
Net Assets		
Unrestricted	3,401,197	2,167,147
Temporarily restricted	1,983,040	1,803,198
Permanently restricted	153,921	153,921
Total net assets	5,538,158	4,124,266
Total liabilities and net assets	\$ 6,320,503	\$ 5,508,976

See Notes to Financial Statements

Alzheimer's Association, Northern California and Northern Nevada
Statement of Activities
Year Ended June 30, 2011 (With Comparative Totals for 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Subtotal	California Council	Total 2011	Total 2010
Public Support and Revenue							
Contributions:							
Individuals	\$ 1,743,421	\$ 1,585,129	\$ -	\$ 3,328,550	\$ -	\$ 3,328,550	\$ 4,331,679
Memorials	30,045	955	-	31,000	-	31,000	32,243
In-kind contributions	2,371	-	-	2,371	-	2,371	27,361
Increase (decrease) in revenue under Shared Fundraising Agreement with National	2,023,414	(720,303)	-	1,303,111	-	1,303,111	(1,353,686)
Grants:							
Government	811,443	-	-	811,443	-	811,443	713,337
Foundation	160,650	126,500	-	287,150	1,500	288,650	625,415
Corporate	34,282	61,075	-	95,357	-	95,357	44,368
National office	15,000	-	-	15,000	4,000	19,000	13,000
Special events	2,782,788	3,150	-	2,785,938	-	2,785,938	2,759,432
Total public support	7,603,414	1,056,506	-	8,659,920	5,500	8,665,420	7,193,149
Revenue:							
Program service fees	165,094	-	-	165,094	2,660	167,754	180,709
State council dues	-	-	-	-	170,173	170,173	203,444
Investment income	27,303	5,099	-	32,402	-	32,402	10,255
Other income	27,013	-	-	27,013	33,070	60,083	83,632
Total revenue	219,410	5,099	-	224,509	205,903	430,412	478,040
Net assets released from restrictions	881,763	(881,763)	-	-	-	-	-
Total public support and revenue	8,704,587	179,842	-	8,884,429	211,403	9,095,832	7,671,189
Expenses							
Program services:							
Education	1,880,169	-	-	1,880,169	-	1,880,169	1,796,644
Patient and family services	3,397,647	-	-	3,397,647	-	3,397,647	3,185,008
Public policy	246,604	-	-	246,604	-	246,604	223,351
Research	13,087	-	-	13,087	-	13,087	10,030
Total program services	5,537,507	-	-	5,537,507	-	5,537,507	5,215,033
California Council Management and general Fundraising	- 445,960 1,339,849	- - -	- - -	- 445,960 1,339,849	358,624 - -	358,624 445,960 1,339,849	352,813 332,517 1,171,681
Total expenses	7,323,316	-	-	7,323,316	358,624	7,681,940	7,072,044
Change in Net Assets	1,381,271	179,842	-	1,561,113	(147,221)	1,413,892	599,145
Net Assets, beginning of year	1,984,903	1,803,198	153,921	3,942,022	182,244	4,124,266	3,496,948
Receipt of California Council Net Assets	-	-	-	-	-	-	28,173
Net Assets, end of year	\$ 3,366,174	\$ 1,983,040	\$ 153,921	\$ 5,503,135	\$ 35,023	\$ 5,538,158	\$ 4,124,266

See Notes to Financial Statements

Alzheimer's Association, Northern California and Northern Nevada
Statement of Functional Expenses
Year Ended June 30, 2011 (With Comparative Totals for 2010)

	Program Services				Support Services			California Council	Total 2011	Total 2010
	Education	Patient and Family Services	Public Policy	Research	Management and General	Fundraising	Subtotal			
Direct Expenses:										
Salaries	\$ 932,103	\$ 1,892,374	\$ 98,087	\$ 1,866	\$ 168,170	\$ 713,730	\$ 3,806,330	\$ 84,039	\$ 3,890,369	\$ 3,643,877
Benefits	145,060	294,503	15,265	290	26,172	111,075	592,365	11,070	603,435	590,693
Payroll taxes	64,611	131,174	6,799	129	11,657	49,474	263,844	6,841	270,685	267,720
Professional fees	54,174	278,042	-	-	13,061	80,662	425,939	156,478	582,417	504,909
Distributed materials	13,703	2,033	42	-	65	4,558	20,401	273	20,674	21,120
Office supplies	22,112	52,519	643	134	24,225	10,577	110,210	5,311	115,521	105,763
Telephone and internet	29,795	70,767	866	181	32,650	14,252	148,511	11,935	160,446	173,297
Postage and delivery	16,224	38,533	472	99	17,778	7,760	80,866	3,657	84,523	101,857
Occupancy	124,450	252,662	13,096	249	22,453	95,294	508,204	14,665	522,869	517,815
Repairs and maintenance	38,029	77,207	4,002	76	6,861	29,119	155,294	439	155,733	127,766
Insurance	551	8,552	-	-	7,843	1,534	18,480	-	18,480	23,737
Printing and publications	103,599	15,370	315	-	494	34,461	154,239	18,970	173,209	203,791
Promotional materials	231,912	34,406	706	-	1,105	77,144	345,273	-	345,273	126,689
Travel and conferences	46,581	34,230	7,479	1,526	2,322	55,605	147,743	42,493	190,236	165,938
Dues to California Council	-	-	57,567	-	-	-	57,567	-	57,567	43,068
Bad debts	-	-	-	-	97,401	-	97,401	-	97,401	7,925
Bank and transactions fees	11,169	8,521	-	-	1,884	25,720	47,294	-	47,294	85,969
Specific assistance	34,068	158,085	41,166	8,517	-	-	241,836	-	241,836	192,662
Miscellaneous	12,028	9,160	99	20	1,956	27,019	50,282	1,839	52,121	104,210
Total direct expenses	1,880,169	3,358,138	246,604	13,087	436,097	1,337,984	7,272,079	358,010	7,630,089	7,008,806
Depreciation and Amortization	-	39,509	-	-	9,863	1,865	51,237	614	51,851	63,238
Total expenses	\$ 1,880,169	\$ 3,397,647	\$ 246,604	\$ 13,087	\$ 445,960	\$ 1,339,849	\$ 7,323,316	\$ 358,624	\$ 7,681,940	\$ 7,072,044
Percentage of Total Chapter Expenses	27%	46%	3%	-%	6%	18%	100%			

See Notes to Financial Statements

Alzheimer's Association, Northern California and Northern Nevada
Statement of Cash Flows
Year Ended June 30, 2011 (With Comparative Totals for 2010)

	2011	2010
Cash Flows from Operating Activities		
Cash received from donors and grantors	\$ 9,375,018	\$ 8,904,116
Cash received from other sources	405,389	468,264
Cash paid to employees and suppliers	(7,829,340)	(6,889,365)
Cash paid to Alzheimer's Disease and Related Disorders Association, Inc., net	(874,102)	(2,562,994)
Cash paid for interest	(9,100)	(9,100)
Net cash provided by (used in) operating activities	<u>1,067,865</u>	<u>(89,079)</u>
Cash Flows from Investing Activities		
Purchase of certificate of deposit	(700,000)	-
Purchase of property and equipment	(2,477)	(10,302)
Deposits	(2,843)	(6,444)
Net cash used in investing activities	<u>(705,320)</u>	<u>(16,746)</u>
Cash Flows from Financing Activities		
Repayment of capital lease obligations	(45,756)	(45,755)
Cash received from another California chapter upon assumption of responsibilities for California Council	-	30,251
Net cash used in financing activities	<u>(45,756)</u>	<u>(15,504)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	316,789	(121,329)
Cash and Cash Equivalents, beginning of year	<u>1,913,641</u>	<u>2,034,970</u>
Cash and Cash Equivalents, end of year	<u>\$ 2,230,430</u>	<u>\$ 1,913,641</u>
Reconciliation of Change in Net Assets to Net Cash Provided by		
(Used in) Operating Activities:		
Change in net assets	\$ 1,413,892	\$ 599,145
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	51,851	63,238
Change in allowance for doubtful accounts for contributions receivable	60,000	7,314
Change in discount on contributions receivable	(14,247)	13,829
Net unrealized gain on investments	(25,023)	(9,776)
Changes in operating assets and liabilities:		
Contributions receivable	274,116	436,713
Accounts receivable	(55,364)	(79,375)
Prepaid expenses and other current assets	(80,751)	47,027
Accounts payable and accrued expenses	(124,794)	74,756
Deferred support and revenue	195	(20,574)
Due to Alzheimer's Disease and Related Disorders Association, Inc., net	(429,010)	(1,230,508)
Deferred rent	(3,000)	9,132
Net cash provided by (used in) operating activities	<u>\$ 1,067,865</u>	<u>\$ (89,079)</u>

(continued)

Alzheimer's Association, Northern California and Northern Nevada
Statement of Cash Flows (continued)
Year Ended June 30, 2010 (With Comparative Totals for 2009)

2011 2010

Supplemental Schedule of Non-Cash Investing and Financing Activities

Effective July 1, 2009, the Association assumed the role of fiscal agent for California Council (the Council) from another California chapter. Accordingly, the Council's activities have been in the Association's financial statements since the date. California Council's net assets of were transferred to the Association as follows:

Net Assets	\$	-	\$	28,173
Less cash transfers		-		(30,251)
Net liabilities assumed by the Association	\$	-	\$	(2,078)
<hr style="border-top: 1px solid black;"/>				
Net liabilities assumed are as follows:				
Current assets	\$	-	\$	1,046
Property and equipment		-		2,684
Current liabilities		-		(5,808)
	\$	-	\$	(2,078)
<hr style="border-top: 1px solid black;"/>				

**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 non-profit 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.

The Association is the fiscal agent of the Alzheimer's Disease and Related Disorders Association – California Council (the Council). The Council is a non-profit membership organization whose members consist of the Association and other California chapters of National. The Council promotes public policy at the state level and supports both local and national public policy activities that impact Californians with Alzheimer's disease and related disorders. The Council's operations are funded primarily by chapter dues and grants from National. The Association's financial statements include the accounts and activities of the Council. At June 30, 2011, the Council had assets of \$84,000 and net assets of \$35,000 (assets of \$243,000 and net assets of \$182,000 at June 30, 2010).

The Association and National have 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. The Fundraising Agreement has a termination date of July 1, 2012.

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

2. Significant Accounting Policies

Basis of Presentation:

The Association segregates its assets, liabilities, and operations into three categories: unrestricted, temporarily restricted and permanently restricted.

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 the Council's net assets and may include those expendable resources that have been designated for special use by the Board of Directors (none at June 30, 2011 and 2010).

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 recognizes contributions and unconditional promises to give (pledges) as revenue at their fair value in the period the contribution or pledge is made. The Association distinguishes among 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.

Amounts 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 is provided or the event takes place.

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

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents:

Cash and cash equivalents include all cash balances and highly liquid investments purchased with a remaining maturity of three months or less. As of June 30, 2011 and 2010, cash and cash equivalents consist of cash held by financial institutions and a certificate of deposit. The recorded carrying value of cash equivalents approximates their fair value.

Investments:

Investments in marketable securities are reported at fair value. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Income and gains on restricted investments are reported as increases in unrestricted net assets unless otherwise restricted by the donor.

Property and Equipment:

The Association capitalizes property and equipment acquisitions over \$1,000. Expenditures that increase the life of existing assets are capitalized. Repairs and maintenance 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 reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of assets may not be recoverable. The Association has not incurred an impairment loss through June 30, 2011.

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, except on net income derived from unrelated business activities.

The Association does not believe it has unrelated business income that should have been reported for tax purposes. In addition, the Association believes that it has appropriate support for any tax positions taken to date and, therefore, has no related income tax due for all years where the statute of limitations remains open, which is generally three years for Federal filings and four years for California filings.

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

2. Significant Accounting Policies (continued)

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.

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 that 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 2011, the Association recognized \$2,785,938 in revenue from fund raising events (\$2,759,432 in 2010), of which \$2,594,865 was raised from Memory Walks (\$2,505,100 in 2010). Special events represented 32% of total public support and revenue (36% in 2010). Costs related to these special events are included in fundraising 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.

The Association is required by National to record certain fundraising revenue gross of allowances and discounts to better facilitate accounting and reporting under the Fundraising Agreement. As a result, \$80,000 of bad debt expense recorded as a component of support services in the 2011 Statement of Functional Expenses is related to this arrangement with National (none in 2010).

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.

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

2. Significant Accounting Policies (continued)

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 most of its cash accounts at one commercial bank. The Federal Deposit Insurance Corporation (FDIC) insures cash on deposit at the bank up to \$250,000. The Association's cash and cash equivalents generally exceed the federally insured limit.

The Association periodically evaluates the collectability of its receivables and provides an allowance for potential credit losses, as needed. Historically, credit losses from uncollected receivables have not been significant.

Comparative Financial Information:

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Advertising:

Costs associated with advertising are expensed when incurred. Advertising expenses were \$243,000 in 2011 (\$51,000 in 2010).

Reclassifications:

Certain reclassifications have been made to prior year balances to conform with current year presentation.

**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 5% per annum. Contributions receivable consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Research contributions	\$ 955,000	\$ 1,470,000
Other public support	<u>2,101,161</u>	<u>1,860,278</u>
	3,056,161	3,330,278
Less discount to net present value	(260,801)	(275,048)
Less allowance for doubtful accounts	<u>(254,509)</u>	<u>(194,509)</u>
Net contributions receivable	<u>\$ 2,540,851</u>	<u>\$ 2,860,721</u>
Amounts receivable in:		
Less than one year	\$ 1,924,112	\$ 2,003,015
One to five years	932,049	1,027,263
Thereafter	<u>200,000</u>	<u>300,000</u>
	<u>\$ 3,056,161</u>	<u>\$ 3,330,278</u>

The allowance for doubtful accounts of \$254,509 at June 30, 2011 includes \$203,553 established under the terms of the Fundraising Agreement. The allowance of \$194,509 at June 30, 2010 included \$143,553 established under the terms of the Fundraising Agreement.

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

4. Fair Value Measurements

The Association categorizes its investments into a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The three-level hierarchy for fair value measurements is defined as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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. If available, quoted market prices are used to value investments.

In January 2010, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, *Improving Disclosures about Fair Value Measurements and Disclosures* to add new disclosures about investment transfers into and out of Level 1 and 2 measurements and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. The Association adopted ASU 2010-06 effective July 1, 2010, without a material impact on its financial statements or disclosures.

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

4. Fair Value Measurements (continued)

Investments at fair value at June 30, 2011 are as follows:

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Value fund	\$ 28,794	\$ -	\$ -	\$ 28,794
Bond fund	<u>9,053</u>	<u>-</u>	<u>-</u>	<u>9,053</u>
Total mutual funds	37,847	-	-	37,847
U.S. government bonds	192,988	-	-	192,988
Certificates of deposit	<u>-</u>	<u>723,263</u>	<u>-</u>	<u>723,263</u>
Total	<u>\$ 230,835</u>	<u>\$ 723,263</u>	<u>\$ -</u>	<u>\$ 954,098</u>

Investments at fair value at June 30, 2010 are as follows:

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Value fund	\$ 22,233	\$ -	\$ -	\$ 22,233
Bond fund	<u>8,743</u>	<u>-</u>	<u>-</u>	<u>8,743</u>
Total mutual funds	30,976	-	-	30,976
U.S. government bonds	174,964	-	-	174,964
Certificates of deposit	<u>-</u>	<u>23,135</u>	<u>-</u>	<u>23,135</u>
Total	<u>\$ 205,940</u>	<u>\$ 23,135</u>	<u>\$ -</u>	<u>\$ 229,075</u>

Investment income consists of the following for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 7,568	\$ 479
Unrealized gains, net	<u>24,834</u>	<u>9,776</u>
	<u>\$ 32,402</u>	<u>\$ 10,255</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>2011</u>	<u>2010</u>
Equipment	\$ 638,656	\$ 636,179
Furniture and fixtures	389,696	389,696
Leasehold improvements	<u>252,025</u>	<u>252,025</u>
	1,280,377	1,277,900
Less accumulated depreciation and amortization	<u>1,149,885</u>	<u>1,098,034</u>
	<u>\$ 130,492</u>	<u>\$ 179,866</u>

Property and equipment acquired under capital leases totaled \$229,000 at June 30, 2011 and 2010. Accumulated depreciation and depreciation expense related to property and equipment acquired under capital leases totaled \$117,000 and \$33,000 as of and for the year ended June 30, 2011, respectively (\$84,000 and \$32,000 as of and for the year ended June 30, 2010).

6. Net Assets

Restrictions on Net Assets:

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

	<u>2011</u>	<u>2010</u>
Programs and services	\$ 57,796	\$ 71,644
For subsequent periods	<u>1,925,244</u>	<u>1,731,554</u>
	<u>\$ 1,983,040</u>	<u>\$ 1,803,198</u>

During 2011, net assets of \$881,763 were released from temporarily restricted net assets due to the expiration of donor time and usage restrictions.

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

6. Net Assets (continued)

Permanently Restricted Net Assets:

Permanently restricted net assets at June 30, 2011 and 2010 consist of an endowment fund established to support the Association's program services. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Association indefinitely and income from the fund is to be expended for program services. The Association has adopted investment and spending policies based on the requirements of the State Uniform Management of Institutional Funds Act (SUMIFA). As a result of the Association's interpretation of SUMIFA, and in accordance with donor restrictions, contributions to the endowment fund are classified as permanently restricted net assets. The historic dollar value of those contributions must be maintained inviolate. Income from the fund is classified with temporarily restricted net assets until the purpose restriction is satisfied. When the purpose restriction is met, the net assets are reclassified to unrestricted net assets.

The donor-restricted endowment fund is invested in U.S. government bonds pursuant to the Association's investment and spending objectives of subjecting the fund to low investment risk.

7. Related Party Transactions

Amounts Due to/from National:

Under the Fundraising Agreement, the Association receives 60% of shared revenues, as defined, during the years ended June 30, 2011 and 2010. As of June 30, 2011, the Association owes National \$394,360, representing the reconciliation of shared revenues allocated under the terms of the Fundraising Agreement (\$823,370 as of June 30, 2010).

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

During the year ended June 30, 2011, the Association received and expended \$99,000 in federal funds passed through from the Alzheimer's Los Angeles, Riverside, and San Bernardino Counties Chapter (\$57,000 in 2010).

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

8. 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 \$403,000 in 2011 (\$398,000 in 2010).

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

2012	\$ 365,000
2013	293,000
2014	<u>162,000</u>
	<u>\$ 820,000</u>

Capital Leases:

As of June 30, 2011, the Association is obligated under capital lease agreements for property and equipment, which collateralizes the obligations.

Future minimum lease payments required under the capital lease agreements are as follows for the years ending June 30:

2012	\$ 55,000
2013	<u>18,000</u>
	73,000
Less amounts representing interest at 9.13% - 11.22%	<u>12,000</u>
	61,000
Less current portion of capital lease obligations	<u>46,000</u>
Capital lease obligations, less current portion	<u>\$ 15,000</u>

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

9. Employee Benefit Plan

The Association has a 401(k) plan under which eligible employees may contribute a portion of their compensation to the plan, subject to the limitations under the Internal Revenue Code. Discretionary contributions of \$218,000 were made by the Association to the plan during the year ended June 30, 2011 (\$197,000 in 2010).

10. Subsequent Events

Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were approved by the Association and available to be issued.

SUPPLEMENTARY INFORMATION

**Alzheimer's Association,
Northern California and Northern Nevada
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2011**

<u>Grantor/Pass-through Grantor/Program or Cluster Title</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			
State of Nevada, Division for Aging			
Caregiver Support Services-			
Lifespan Respite	93.072	19-016-56-9LX-11	\$ 8,120
ADSSP	93.051	18-010-45-AX-11	48,168
Special Programs for the Aging			
University of California Regents – Kaiser	93.051	90AI0029	<u>38,079</u>
			<u>94,367</u>
Family Caregiver Support Services Cluster:			
Alzheimer's Demonstration Grant			
Alzheimer's Association, Los Angeles, Riverside and San Bernardino Counties Chapters			
	93.052	CT-0809-24	1,943
		CT-0809-24	26,660
Council on Aging, Silicon Valley	93.052	None	84,487
Monterey County Area Agency on Aging	93.052	None	35,461
	93.052	OTO	2,700
Employment and Human Services			
Department of Contra Costa County			
	93.052	40-160-11	46,256
	93.052	40-325-00	2,078
County of San Mateo	93.052	None	41,127
	93.052	OTO	14,803
Alameda County Area Agency on Aging	93.052	900149	33,610
	93.052	OTO	<u>3,395</u>
Total family caregiver support services cluster (carried forward)			<u>\$ 292,520</u>

(continued)

**Alzheimer’s Association,
Northern California and Northern Nevada
Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2011**

<u>Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
Total family caregiver support services cluster (brought forward)			\$ 292,520
Family Caregiver Support Services Cluster (continued)			
Department of Health and Human Services Marin County	93.052	None	49,361
	93.052	None	20,000
	93.052	OTO	9,994
Department of Aging & Adult Services City of San Francisco	93.052	DPAG11000017	38,202
Mittelman Grant Alzheimer’s Association, Los Angeles, Riverside and San Bernardino Counties Chapters	93.052	CT-0910-22	<u>70,000</u>
Total family caregiver support services cluster			<u>480,077</u>
Total expenditures of federal awards			<u>\$ 574,444</u>
 <i>State Awards:</i>			
 Pass-Through Programs:			
State of Nevada, Division for Aging Services – Independent Living	N/A	18-010-43-LX-11	137,341
	N/A	18-010-45-AM-10	<u>38,140</u>
Total expenditures of state awards			<u>\$ 175,481</u>

See Notes to Schedule of Expenditures of Federal and State Awards

**Alzheimer's Association,
Northern California and Northern Nevada
Notes to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2011**

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (the Schedule) includes the activity of Alzheimer's Association, Northern California and Northern Nevada (the Association) under programs with federal and state governments for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the Association's financial position, changes in net assets, or cash flows.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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*

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

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, 2011, and have issued our report thereon dated September 27, 2011. 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 effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

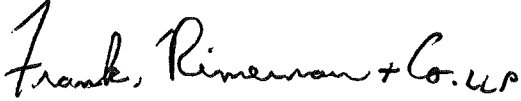
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*.

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 27, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

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

We have audited Alzheimer's Association, Northern California and Northern Nevada (the Association) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended June 30, 2011. The Association's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Association's management. Our responsibility is to express an opinion on the Association's compliance based on our audit.

Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Association's compliance with those requirements.

In our opinion, the Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Association's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Association's Board of Directors, Audit Committee, management, 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 27, 2011

**Alzheimer's Association,
Northern California and Northern Nevada
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011**

Section I - Summary of Auditors' Results

Financial Statements:

1. The auditors' report expresses an unqualified opinion on the financial statements of Alzheimer's Association, Northern California and Northern Nevada (the Association).
2. No significant deficiencies in internal control relating to the audit of the Association's financial statements have been reported.
3. No instances of noncompliance material to the Association's financial statements were disclosed during the audit.

Federal Awards:

1. No significant deficiencies relating to the audit of the major federal award programs have been reported.
2. The auditors' report on compliance for the Association's major federal award programs tested as major federal award programs expresses an unqualified opinion on all major federal award programs.
3. No audit findings related to federal awards are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

4. Cluster of programs tested as a major program was:

<u>CFDA Number</u>	<u>Name of Federal Cluster</u>
93.052	Family Caregiver Support Services Programs

5. The threshold used to distinguish between Type A and B programs was \$300,000.
6. The Association did not qualify as a low-risk auditee.

(continued)

**Alzheimer's Association,
Northern California and Northern Nevada
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2011**

Section II – Financial Statement Findings

No findings have been reported

Section III – Federal Award Findings and Questioned Costs

No findings have been reported