

**ALZHEIMER'S DISEASE AND RELATED DISORDERS  
ASSOCIATION – EASTERN TENNESSEE CHAPTER, INC.**  
Knoxville, Tennessee

**AUDITED FINANCIAL STATEMENTS**

June 30, 2007 and 2006

**ALZHEIMER’S DISEASE AND RELATED DISORDERS  
ASSOCIATION – EASTERN TENNESSEE CHAPTER, INC.**  
Knoxville, Tennessee  
June 30, 2007 and 2006

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Alzheimer's Disease and Related Disorders Association –  
Eastern Tennessee Chapter, Inc.  
Knoxville, Tennessee

We have audited the accompanying statement of financial position of Alzheimer's Disease and Related Disorders Association – Eastern Tennessee Chapter, Inc. (the Association – a nonprofit organization) as of June 30, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the fiscal years then ended. The prior year comparative information for the statements of activities and functional expenses is presented in summarized form. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alzheimer's Disease and Related Disorders Association – Eastern Tennessee Chapter, Inc. as of June 30, 2007 and 2006 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.

*Ingram, Overholt & Bean, PC*

**ALZHEIMER'S DISEASE AND RELATED DISORDERS  
ASSOCIATION – EASTERN TENNESSEE CHAPTER, INC.**

Knoxville, Tennessee

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2007 and 2006

	June 30,	
	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 379,729	\$ 284,951
Certificates of deposit	77,995	74,574
Accounts receivable	-	559
Contributions receivable, less allowance for uncollectible pledges of \$4,200 in 2007 and 2006	20,998	24,175
Grants receivable	16,500	6,500
Interest receivable	1,180	1,180
Prepaid expenses	11,063	2,642
Inventory	<u>2,954</u>	<u>2,115</u>
Total Current Assets	510,419	396,696
Leasehold improvements, furniture and equipment, Net of accumulated depreciation	26,124	33,228
Permanently restricted cash	5,000	5,000
Donated jewelry	7,535	7,535
Donated antique automobile	<u>25,000</u>	<u>25,000</u>
Total Assets	<u>\$ 574,078</u>	<u>\$ 467,459</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 16,717	\$ 1,993
Accounts payable – related chapter	10,320	9,258
Due to State Public Policy Coalition	5,585	4,761
Refundable advances	40,743	29,437
Accrued retirement plan contribution	<u>9,465</u>	<u>9,209</u>
Total Current Liabilities	<u>82,830</u>	<u>54,658</u>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	396,607	330,340
Designated – Autopsy fund	<u>7,135</u>	<u>7,044</u>
Total Unrestricted Net Assets	403,742	337,384
Temporarily restricted	82,506	70,417
Permanently restricted	<u>5,000</u>	<u>5,000</u>
Total Net Assets	<u>491,248</u>	<u>412,801</u>
Total Liabilities and Net Assets	<u>\$ 574,078</u>	<u>\$ 467,459</u>

See accompanying independent auditors' report and notes to financial statements.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS  
ASSOCIATION – EASTERN TENNESSEE CHAPTER, INC.**

Knoxville, Tennessee

STATEMENTS OF ACTIVITIES  
Years ended June 30, 2007 and 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2007</u>	<u>Total 2006</u>
<b>SUPPORT AND REVENUE:</b>					
Support:					
Contributions, gifts, grants and pledges:					
Direct public support:					
Memorials and honorariums	\$ 57,157	\$ -	\$ -	\$ 57,157	\$ 52,121
Cash contributions	64,415	160	-	64,575	92,281
Donated facilities	31,631	-	-	31,631	31,631
Donated materials	164	-	-	164	-
Donated marketable securities	-	-	-	-	11,022
Fund-raising events (primarily Memory Walk) net of cost of direct benefits to donors of \$21,092, (includes in-kind donations of \$55,832)	504,366	-	-	504,366	462,182
Fund-raising events (Golf Tournament), net of cost of direct benefits to donors of \$5,168 (includes in-kind donations of \$10,740)	38,947	-	-	38,947	38,483
Independent organization special event	169,800	-	-	169,800	156,447
Indirect public support:					
Campus Chest and United Way	6,249	-	-	6,249	5,817
Combined federal campaign	9,396	-	-	9,396	9,235
Other	140	-	-	140	493
Private foundation awards	7,000	70,000	-	77,000	74,510
Government grants	6,500	20,000	-	26,500	8,500
Community Action Agency grants	-	-	-	-	8,500
Total Support	<u>895,765</u>	<u>90,160</u>	<u>-</u>	<u>985,925</u>	<u>951,222</u>
Revenue:					
Training fees	8,675	-	-	8,675	7,315
Symposiums	-	-	-	-	25,835
Autopsy fees	100	-	-	100	(400)
Realized gain (loss) in sale of marketable securities	-	-	-	-	(17)
Interest and dividend income	5,005	-	-	5,005	3,621
Sales of books and materials	2,239	-	-	2,239	2,274
	16,019	-	-	16,019	38,628
Net assets released from restrictions:					
Private foundation awards	64,639	(64,639)	-	-	-
Other temporarily restricted net assets	13,432	(13,432)	-	-	-
Total Revenue	<u>94,091</u>	<u>(78,071)</u>	<u>-</u>	<u>16,020</u>	<u>-</u>
Total Support and Revenue	<u>989,857</u>	<u>12,089</u>	<u>-</u>	<u>1,001,946</u>	<u>989,850</u>
<b>EXPENSES:</b>					
Program services	629,992	-	-	629,992	615,887
Management and general	29,632	-	-	29,632	21,380
Development and fund-raising	263,873	-	-	263,873	234,869
Total Expenses	<u>923,497</u>	<u>-</u>	<u>-</u>	<u>923,497</u>	<u>872,136</u>
Changes in Net Assets	66,358	12,089	-	78,447	117,714
Net Assets – Beginning of Year	<u>337,384</u>	<u>70,417</u>	<u>5,000</u>	<u>412,801</u>	<u>295,087</u>
Net Assets – End of Year	<u>\$ 403,742</u>	<u>\$ 82,506</u>	<u>\$ 5,000</u>	<u>\$ 491,248</u>	<u>\$ 412,801</u>

See accompanying independent auditors' report and notes to financial statements.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS  
ASSOCIATION – EASTERN TENNESSEE CHAPTER, INC.**

Knoxville, Tennessee

**STATEMENTS OF FUNCTIONAL EXPENSES**

Years ended June 30, 2007 and 2006

	Administrative/ General	Development	Education	Public Policy	Research	P/R Communications	Family Support	2007 Total	2006 Total
National dues	\$ -	\$ -	\$ 27,657	\$ 4,128	\$ -	\$ -	\$ 9,495	\$ 41,280	\$ 37,033
Salaries	6,766	49,609	267,569	9,971	5,547	1,612	29,616	370,690	349,682
Fringe benefits	269	1,947	17,951	395	219	63	1,192	22,036	23,531
Payroll taxes	524	3,839	20,706	772	429	125	2,292	28,687	26,971
Outside services & personnel costs	1,077	1,834	869	754	-	-	-	4,534	400
Audit fees	144	1,058	5,705	213	118	34	631	7,903	10,170
Supplies	175	21,989	8,379	450	92	201	2,812	34,098	33,046
Telecommunications	485	1,133	10,098	1,672	87	19	1,040	14,534	8,975
Postage	2,646	15,178	19,200	364	199	11,022	70	48,679	56,464
Occupancy	-	2,682	190	-	-	-	648	3,520	-
Insurance	101	502	2,919	152	98	26	349	4,147	3,651
Printing	-	54,918	15,903	212	292	31,980	990	104,295	111,546
Publications and subscriptions	-	125	1,232	-	-	-	-	1,357	1,271
Conferences	90	-	3,012	-	-	-	50	3,152	2,193
Special events & community meetings	166	13,776	14,198	1,092	450	-	3,523	33,205	47,725
Volunteer training and recognition	136	12,712	206	-	-	-	-	13,054	8,128
Travel	819	4,263	25,188	2,677	16	100	2,920	35,983	26,708
Grant – Public Policy Coalition	-	-	-	6,195	580	-	-	6,775	5,025
Specific assistance to individuals	170	-	-	-	-	-	10,768	10,938	21,191
Bank charges	705	1,143	-	-	-	-	-	1,848	1,593
Payroll processing	33	245	1,322	49	27	8	146	1,830	1,895
Cost of books and materials	-	-	5,675	-	-	-	682	6,357	3,907
Miscellaneous	2,534	4,647	1,618	-	-	-	680	9,479	7,021
Bad debt	9,656	-	-	-	-	-	-	9,656	1,800
In-kind fund raising	-	66,736	-	-	-	-	-	66,736	47,739
In-kind facilities rental	2,562	4,523	18,884	1,234	1,234	253	2,941	31,631	31,631
Depreciation	574	1,014	4,235	277	277	57	659	7,093	2,840
<b>Totals</b>	<b>\$ 29,632</b>	<b>\$ 263,873</b>	<b>\$ 472,716</b>	<b>\$ 30,607</b>	<b>\$ 9,665</b>	<b>\$ 45,500</b>	<b>\$ 71,504</b>	<b>\$ 923,497</b>	<b>\$ 872,136</b>

See accompanying independent auditors' report and notes to financial statements.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS  
ASSOCIATION – EASTERN TENNESSEE CHAPTER, INC.**  
Knoxville, Tennessee  
STATEMENTS OF CASH FLOWS  
Years ended June 30, 2007 and 2006

	Year Ended June 30,	
	2007	2006
Operating Activities		
Cash from contributions	\$ 866,958	\$ 847,744
Cash from program services	9,334	32,541
Cash from grants – Government	16,500	8,500
Interest received	5,005	3,164
Cash from sales of books	2,239	2,249
Cash from sales of holiday cards	-	25
Total Operating Receipts	900,036	894,223
Cash paid to and on behalf of employees	421,158	400,216
Cash paid to vendors	328,461	336,161
Cash paid to:		
National for dues	41,280	37,033
Respite care grants	10,938	21,191
Total Operating Disbursements	801,837	794,601
Net Cash Provided by Operating Activities	98,199	99,622
Investing Activities		
Increase in certificates of deposit	(3,421)	(2,568)
Asset purchases	-	(24,040)
Proceeds from sale of donated stock	-	11,005
Net Cash Used in Investing Activities	(3,421)	(15,603)
Net Increase in Cash	94,778	84,019
Cash at Beginning of Year	284,951	200,932
Cash at End of Year	\$ 379,729	\$ 284,951
Supplemental schedule of noncash activities		
In-kind donation of facilities rent	\$ 31,631	\$ 31,631
In-kind donation of fund raising supplies	66,736	49,639
Marketable securities donated to Association	-	11,022

See accompanying independent auditors' report and notes to financial statements.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS  
ASSOCIATION – EASTERN TENNESSEE CHAPTER, INC.**

Knoxville, Tennessee

**NOTES TO FINANCIAL STATEMENTS**

Years Ended June 30, 2007 and 2006

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization: Alzheimer's Disease and Related Disorders Association – Eastern Tennessee Chapter, Inc. (the Association) was organized and incorporated in Tennessee in 1983 as a nonprofit organization. The mission statement of the Association is to provide support and assistance to persons with Alzheimer's disease, their families and caregivers, and to support research efforts to prevent, treat, and cure Alzheimer's disease.

The Association serves twenty-six counties in eastern Tennessee and is duly authorized by the National Alzheimer's Association. The Association's support is derived from fund-raising events (primarily Memory Walks), restricted and unrestricted grants from private organizations and local government, and restricted and unrestricted contributions from individuals.

Basis of Accounting: The financial statements of the Association have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation: The financial statement presentation follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Unrestricted net assets consist of resources that are not temporarily or permanently restricted by the donor and are available for the general programs of the Association without limitation. The Association has elected to report as unrestricted support all donor-restricted contributions whose restrictions are met within the same reporting year as the contribution is received. Temporarily restricted net assets consist of those resources restricted by donor-imposed criteria and which either expire with the passage of time or by actions of the Association. Permanently restricted net assets consist of funds provided for the establishment of an endowment.

Contributions: Contributions received and unconditional promises to give are measured at their fair values and are considered to be available for the general programs of the Association unless specifically restricted by the donor. The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. As donor restrictions are satisfied by the end of a stipulated time restriction or accomplishment of a purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

The net proceeds received from a special event sponsored by an independent organization over which the Association has no control, but is conducted for the Alzheimer's benefit is reported as support.

Contributions Receivable: Unconditional promises to give, less an allowance for uncollectible accounts, are recognized as revenue and as assets in the period in which the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Management determines the allowance based on prior collection history with the donor, type of contribution and historical collection trends. Significant contributions receivable due in more than one year are discounted to their present value (estimated fair value) using a rate commensurate with the risks involved. At June 30, 2007 and 2006, there were no discounts recorded for contributions receivable due in more than one year. As of June 30, 2007, accounts totaling \$5,000 were more than 90 days past due.

Cash and Cash Equivalents: For purposes of the statements of cash flows, the Association considers all unrestricted and temporarily restricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS  
ASSOCIATION – EASTERN TENNESSEE CHAPTER, INC.**

Knoxville, Tennessee

**NOTES TO FINANCIAL STATEMENTS**

Years Ended June 30, 2007 and 2006

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Certificates of Deposit: The certificates of deposits are held by financial institutions for a twelve-month term, mature at varying times during 2008, and bear interest rates ranging from 4.45% to 5.50%. The carrying values of the certificate of deposit approximate their fair value.

Marketable Securities: Marketable securities are considered available for sale and are recorded at fair market value based upon quoted values in an active market. Unrealized gains and losses resulting from changes in fair value and realized gains and losses on securities sold are separately included in the statement of activities.

Accounts Receivable: Accounts receivable represents outstanding balances owed for training fees, symposium registrations and book sales. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Association considers the credit worthiness of those who request to have a charge account. Service charges are not routinely recorded on accounts that have not been paid by the due date that was agreed to as part of the terms of charging for the service. When an account is determined to be uncollectible it is written-off as a bad debt. As of June 30, 2007, none of the accounts were more than ninety days past due.

Inventories: Inventory consists of educational materials such as books and brochures and is recorded at cost on the first-in, first-out basis.

Leasehold Improvements, Furniture, and Equipment: Leasehold improvements, furniture and equipment, in excess of \$500, are capitalized and are recorded at cost. Donated furniture and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service. Depreciation expense for the years ended June 30, 2007 and 2006 was \$7,093 and \$2,840, respectively, computed on a straight-line basis over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the period. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewal or betterments. A song and lyrics "Find the Way" was donated to the Association in a prior year. The Association intends to use the music as a theme. No value has been assigned to this asset because the fair market value of the song is indeterminable.

Donated Equipment, Materials, Services, and Facilities: The Association records the value of donated goods or services when there is an objective basis available to measure their value. Donated equipment, materials and facilities are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. The Association received the use of donated facilities for office space from the University of Tennessee with an estimated value of \$31,631 for each of the years ended June 30, 2007 and 2006.

Donated marketable securities are reflected as contributions at the average of the open and closing stock price of the security on the date of the donation per the applicable stock market quotations. During the year ended June 30, 2007 there were no securities received or sold. Donated jewelry is recorded at the appraisal value provided by a local jeweler. Donated antique automobile is recorded at the appraisal value provided by a local automobile dealership.

The Association receives significant donated services from a substantial number of unpaid volunteers who assist the Association in many of its activities. No amounts have been recognized in the statement of activities for donated services because the criteria for recognition under Statement of Financial Accounting Standards No. 116 have not been satisfied.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS  
ASSOCIATION – EASTERN TENNESSEE CHAPTER, INC.**

Knoxville, Tennessee

**NOTES TO FINANCIAL STATEMENTS**

Years Ended June 30, 2007 and 2006

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Revenues: Contributions received which are related to the occurrence of a special event are recorded as a refundable advance liability until the special event occurs. The amounts are transferred to unrestricted contribution support once the special event is complete.

Income Taxes: The Association is a non-profit organization as described in Section 501(c)(3) of the U.S. Internal Revenue Code and is exempt from federal and state income taxes. The Association is classified to be other than a private foundation by the Internal Revenue Service.

Advertising: Expenses for advertising are recognized as incurred. Expenses totaled \$1,861 for the year ended June 30, 2007 and \$1,605 for June 30, 2006.

Use of Estimates: The preparation of financial statements in accordance 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 disclosures of contingent assets and liabilities at the date of the financial statements are reported amounts of revenue and support and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE B – CONCENTRATION OF CREDIT RISK FOR DEPOSITS HELD IN BANK**

The Association had deposits with local financial institutions that exceeded the insured limits of the Federal Deposit Insurance Corporation. The Association's bank deposits were in excess of the Federal Deposit Insurance Corporation insurance limits by approximately \$306,000 and \$250,000 at June 30, 2007 and 2006, respectively. A local financial institution has pledged securities of \$500,000 to cover the Association's deposits in excess of FDIC insurance. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

**NOTE C – ACCOUNTS AND CONTRIBUTIONS RECEIVABLE**

Gross accounts receivable and contributions receivable consist of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
<u>Accounts Receivable:</u>		
Registration fees	\$ _____ -	\$ _____ 559
<u>Contributions Receivable:</u>		
Event sponsorships	\$ 24,350	\$ 22,321
Other	848	6,054
Total Contributions Receivable	<u>\$ 25,198</u>	<u>\$ 28,375</u>
Contributions receivable are due as follows:		
Receivable in less than one year	\$ 22,198	\$ 24,375
Receivable in one to five years	3,000	4,000
Total contributions receivable	<u>\$ 25,198</u>	<u>\$ 28,375</u>

**ALZHEIMER'S DISEASE AND RELATED DISORDERS  
ASSOCIATION – EASTERN TENNESSEE CHAPTER, INC.**

Knoxville, Tennessee

NOTES TO FINANCIAL STATEMENTS (Continued)

Years Ended June 30, 2007 and 2006

**NOTE D – LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT**

Leasehold improvements, furniture and equipment consist of the following:

	<u>2007</u>	<u>2006</u>
Leasehold improvements	\$ 11,602	\$ 11,602
Furniture and equipment	<u>47,852</u>	<u>50,957</u>
	59,454	62,559
Less – Accumulated depreciation	<u>(33,330)</u>	<u>(29,331)</u>
	<u>\$ 26,124</u>	<u>\$ 33,228</u>

**NOTE E – RESTRICTED NET ASSETS**

The restricted net assets of the Association consist of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
<u>Temporarily Restricted:</u>		
Dynamic Memory Center	\$ -	\$ 2,489
Helping Hands Program	7,523	9,623
Lucille S. Thompson Scholarship & Safe Return Program	38,142	29,151
Konnections	20,529	19,373
Martin Marietta – Community Resources	2,837	2,837
Early Stage AD Support Group	3,703	4,418
Knox County Community Grant	9,772	-
Video Library	-	2,526
	<u>\$ 82,506</u>	<u>\$ 70,417</u>
<u>Permanently Restricted:</u>		
Vandeventor Endowment	<u>5,000</u>	<u>5,000</u>
Total Restricted Net Assets	<u>\$ 87,506</u>	<u>\$ 75,417</u>

Net assets were released from donor restrictions by satisfaction of grant requirements during years ended June 30, 2007 and 2006 as follows:

	<u>2007</u>	<u>2006</u>
Dynamic Memory Center	\$ 2,489	\$ 2,480
Helping Hands: Church Volunteer Program	2,100	287
Martin Marietta – Anderson County Partnership	-	1,123
Konnections	48,843	53,812
Early Stage AD Support Group	715	368
Knox County Community Grant	10,228	1,284
Lucille S. Thompson Scholarship & Safe Return Program	11,170	10,673
Video Library	<u>2,526</u>	<u>-</u>
	<u>\$ 78,071</u>	<u>\$ 70,027</u>

**ALZHEIMER'S DISEASE AND RELATED DISORDERS  
ASSOCIATION – EASTERN TENNESSEE CHAPTER, INC.**

Knoxville, Tennessee

NOTES TO FINANCIAL STATEMENTS (Continued)

Years Ended June 30, 2007 and 2006

**NOTE F – 401(k) PLAN**

Effective February 1, 2000, the Association adopted the Alzheimer's Association 401(k) Profit Sharing Plan (the Plan). The Plan covers all eligible employees who have completed one year of service and attained age 21. The Association matches 25 percent of employees' contributions to the plan up to 4 percent of annual compensation. The Association may also make discretionary contributions. The Association made matching discretionary contributions of \$ 9,465 and \$9,209 for the years ended June 30, 2007 and 2006, respectively. The Association also incurred related administrative expenses of \$2,560 and \$1,878 for the years ended June 30, 2007 and 2006, respectively.

**NOTE G – FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. Certain expenses are charged directly to program, fund-raising, or management categories based on specific identification; while other costs have been allocated based on salary expenditures and an assessment of the time and space devoted to the respective functions.

**NOTE H – RELATED PARTY TRANSACTIONS**

As described in Note A, the Association is a duly authorized chapter of the National Alzheimer's Disease and Related Disorders Association (National). The Association pays dues to National which are classified as program expenses. The Association also purchases educational materials, contributes to research grants, participates in conferences, and purchases various supplies and subscriptions from National and other local chapters. Payments to National and other local chapters consist of the following:

	<u>2007</u>	<u>2006</u>
Dues	\$ 41,280	\$ 37,033
Supplies and conference registrations	1,787	2,797
Research	580	25

**NOTE I – RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES**

	<u>2007</u>	<u>2006</u>
Change in net assets	\$ 78,447	\$ 117,714
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,093	2,840
Loss on disposal of equipment	11	-
(Gain) loss from sale of marketable securities	-	17
Donations of marketable securities	-	(11,022)
Bad debts	9,656	1,800
Changes in operating assets and liabilities:		
Accounts and contributions receivable	(15,920)	(7,584)
Prepaid expenses	(8,421)	-
Inventory	(839)	871
Accounts payable and accrued expenses	16,866	(8,389)
Refundable advances	11,306	3,375
Net Cash Provided by Operating Activities	<u>\$ 98,199</u>	<u>\$ 99,622</u>