

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

**AUDITED FINANCIAL STATEMENTS**

June 30, 2006 and 2005

**ALZHEIMER’S DISEASE AND RELATED DISORDERS  
ASSOCIATION – EASTERN TENNESSEE CHAPTER, INC.**  
Knoxville, Tennessee  
June 30, 2006 and 2005

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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, 2006 and the related statements of activities, functional expenses, and cash flows for the fiscal year then ended. The financial statements of Alzheimer's Disease and Related Disorders Association – Eastern Tennessee Chapter, Inc. as of and for the fiscal year ended June 30, 2005 were audited by other auditors. The prior year summarized comparative information for the statements of activities and functional expenses were derived from those financial statements. Those auditors expressed an unqualified opinion on these financial statements in their report dated August 12, 2005. 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.

We conducted our audit 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 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 Disease and Related Disorders Association – Eastern Tennessee Chapter, Inc. as of June 30, 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, 2006 and 2005

	June 30,	
	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 284,951	\$ 200,932
Certificates of deposit	74,574	72,463
Accounts receivable	559	350
Contributions receivable, less allowance for uncollectible pledges of \$4,200 in 2006 and \$3,500 in 2005	24,175	18,008
Grants receivable	6,500	7,092
Interest receivable	1,180	723
Prepaid expenses	2,642	2,642
Inventory	<u>2,115</u>	<u>2,986</u>
Total Current Assets	396,696	305,196
Leasehold improvements, furniture and equipment, Net of accumulated depreciation	33,228	12,028
Permanently restricted cash	5,000	5,000
Donated jewelry	7,535	7,535
Donated antique automobile	<u>25,000</u>	<u>25,000</u>
	<u>\$ 467,459</u>	<u>\$ 354,759</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 1,993	\$ 10,763
Accounts payable – related chapter	9,258	8,401
Due to State Public Policy Coalition	4,761	5,205
Refundable advances	29,437	26,062
Accrued retirement plan contribution	<u>9,209</u>	<u>9,241</u>
Total Current Liabilities	<u>54,658</u>	<u>59,672</u>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	330,340	214,146
Designated – Autopsy fund	<u>7,044</u>	<u>7,847</u>
Total Unrestricted Net Assets	337,384	221,993
Temporarily restricted	70,417	68,094
Permanently restricted	<u>5,000</u>	<u>5,000</u>
Total Net Assets	<u>412,801</u>	<u>295,087</u>
	<u>\$ 467,459</u>	<u>\$ 354,759</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, 2006 and 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2006</u>	<u>Total 2005</u>
<b>SUPPORT AND REVENUE:</b>					
Support:					
Contributions, gifts, grants and pledges:					
Direct public support:					
Memorials and honorariums	\$ 52,121	\$ -	\$ -	\$ 52,121	\$ 54,608
Cash contributions	91,931	350	-	92,281	59,800
Donated facilities	31,631	-	-	31,631	31,631
Donated materials	-	-	-	-	2,500
Donated marketable securities	11,022	-	-	11,022	10,866
Donated automobile	-	-	-	-	25,000
Fund-raising events (primarily Memory Walk) net of cost of direct benefits to donors of of \$21,943, (includes in-kind donations of \$47,739)	462,182	-	-	462,182	390,205
Fund-raising events (Golf Tournament), net of cost of direct benefits to donors of \$7,126 (includes in-kind donations of \$1,900)	38,483	-	-	38,483	17,614
Independent organization special event	156,447	-	-	156,447	166,341
Indirect public support:					
Campus Chest and United Way	5,817	-	-	5,817	7,217
Combined federal campaign	9,235	-	-	9,235	3,889
Other	493	-	-	493	317
Private foundation awards	4,510	70,000	-	74,510	54,500
Government grant	6,500	2,000	-	8,500	2,250
Community Action Agency grants	8,500	-	-	8,500	13,592
Total Support	<u>878,872</u>	<u>72,350</u>	<u>-</u>	<u>951,222</u>	<u>840,330</u>
Revenue:					
Training fees	7,315	-	-	7,315	6,110
Symposiums	25,835	-	-	25,835	32,620
Autopsy fees	(400)	-	-	(400)	300
Realized gain (loss) in sale of marketable securities	(17)	-	-	(17)	64
Interest and dividend income	3,621	-	-	3,621	2,441
Sales of books and materials	2,274	-	-	2,274	2,864
	<u>38,628</u>	<u>-</u>	<u>-</u>	<u>38,628</u>	<u>44,399</u>
Net assets released from restrictions:					
Private foundations awards	67,180	(67,180)	-	-	-
Other temporarily restricted net assets	2,847	(2,847)	-	-	-
Total Revenue	<u>70,027</u>	<u>(70,027)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>987,527</u>	<u>2,323</u>	<u>-</u>	<u>989,850</u>	<u>884,729</u>
<b>EXPENSES:</b>					
Program services	615,887	-	-	615,887	637,352
Management and general	21,380	-	-	21,380	21,826
Development and fund-raising	234,869	-	-	234,869	199,108
Total Expenses	<u>872,136</u>	<u>-</u>	<u>-</u>	<u>872,136</u>	<u>858,286</u>
Changes in Net Assets	115,391	2,323	-	117,714	26,443
Net Assets – Beginning of Year	<u>221,993</u>	<u>68,094</u>	<u>5,000</u>	<u>295,087</u>	<u>268,644</u>
Net Assets – End of Year	<u>\$ 337,384</u>	<u>\$ 70,417</u>	<u>\$ 5,000</u>	<u>\$ 412,801</u>	<u>\$ 295,087</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, 2006 and 2005

	Administrative/ General	Development	Education	Public Policy	Research	P/R Communications	Family Support	2006 Total	2005 Total
National dues	\$ -	\$ -	\$ 24,071	\$ 4,074	\$ -	\$ -	\$ 8,888	\$ 37,033	\$ 33,602
Salaries	9,314	56,781	242,693	5,318	11,904	3,693	19,979	349,682	354,889
Fringe benefits	678	4,210	15,952	416	804	279	1,192	23,531	21,689
Payroll taxes	718	4,379	18,720	410	918	285	1,541	26,971	27,330
Outside services and personnel costs	-	400	-	-	-	-	-	400	776
Audit fees	271	1,651	7,058	155	346	108	581	10,170	7,600
Supplies	626	18,658	11,246	378	332	527	1,279	33,046	32,735
Telecommunications	462	929	7,198	87	104	26	169	8,975	8,989
Postage	419	16,398	23,548	12	27	15,628	432	56,464	42,999
Insurance	131	547	2,458	78	152	42	243	3,651	3,898
Printing	-	46,169	23,649	-	-	41,652	76	111,546	106,006
Publications and subscriptions	199	72	1,000	-	-	-	-	1,271	1,538
Conferences	100	162	1,856	-	-	-	75	2,193	2,116
Special events & community meetings	727	16,080	15,112	2,116	11,407	-	2,283	47,725	59,526
Volunteer training and recognition	45	8,023	-	-	-	-	60	8,128	11,266
Travel	884	4,897	16,828	1,519	2,139	-	441	26,708	23,529
Grant – Public Policy Coalition	-	-	-	5,000	25	-	-	5,025	5,075
Specific assistance to individuals	-	-	-	-	-	-	21,191	21,191	23,925
Bank charges	910	683	-	-	-	-	-	1,593	1,049
Payroll processing	50	308	1,315	29	65	20	108	1,895	2,028
Cost of books and materials	-	-	3,907	-	-	-	-	3,907	7,194
Miscellaneous	1,254	1,855	3,615	-	-	250	47	7,021	2,845
Bad debt	1,800	-	-	-	-	-	-	1,800	1,250
In-kind fund raising	-	47,739	-	-	-	-	-	47,739	40,839
In-kind facilities rental	2,562	4,523	18,884	1,234	1,234	253	2,941	31,631	31,632
Depreciation	230	405	1,696	111	111	23	264	2,840	2,835
Loss of disposal of equipment	-	-	-	-	-	-	-	-	1,126
<b>Totals</b>	<u>\$ 21,380</u>	<u>\$ 234,869</u>	<u>\$ 440,806</u>	<u>\$ 20,937</u>	<u>\$ 29,568</u>	<u>\$ 62,786</u>	<u>\$ 61,790</u>	<u>\$ 872,136</u>	<u>\$ 854,325</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 CASH FLOWS  
Years ended June 30, 2006 and 2005

	Year Ended June 30,	
	<u>2006</u>	<u>2005</u>
Operating Activities		
Cash from contributions	\$ 847,744	\$ 722,826
Cash from program services	32,541	38,835
Cash from grants – Government	8,500	2,250
Interest received	3,164	2,050
Cash from sales of books	2,249	-
Cash from sales of holiday cards	<u>25</u>	<u>2,864</u>
Total Operating Receipts	<u>894,223</u>	<u>768,825</u>
Cash paid to and on behalf of employees	400,216	401,609
Cash paid to vendors	336,161	316,547
Cash paid to:		
National for dues	37,033	33,602
Respite care grants	<u>21,191</u>	<u>23,925</u>
Total Operating Disbursements	<u>794,601</u>	<u>775,683</u>
Net Cash Provided (Used) by Operating Activities	<u>99,622</u>	<u>(6,858)</u>
Investing Activities		
Increase in certificates of deposit	(2,568)	(1,224)
Asset purchases	(24,040)	-
Purchase of furniture and equipment	-	(1,272)
Proceeds from sale of donated stock	<u>11,005</u>	<u>10,930</u>
Net Cash Provided (Used) by Investing Activities	<u>(15,603)</u>	<u>8,434</u>
Net Increase in Cash	84,019	1,576
Cash at Beginning of Year	<u>200,932</u>	<u>199,356</u>
Cash at End of Year	<u>\$ 284,951</u>	<u>\$ 200,932</u>
Supplemental schedule of noncash activities		
In-kind donation of facilities rent	\$ 31,631	\$ 31,631
In-kind donation of fund raising supplies	49,639	43,339
Marketable securities donated to Association	11,022	10,866
Antique automobile donated to Association	-	25,000

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**

Year ended June 30, 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 the National Alzheimer's Association's 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, 2006 and 2005, there were no discounts recorded for contributions receivable due in more than one year. As of June 30, 2006, accounts totaling \$13,414 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**

Year ended June 30, 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 5.75%. 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, 2006, 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, 2006 and 2005 was \$2,840 and \$2,835, 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, 2006 and 2005.

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. As of June 30, 2006, all such securities received have been sold in the stock market. Donated jewelry is reflected as contributions at the appraisal value provided by a local jeweler. Donated antique automobile is reflected as a contribution at the appraisal value of 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**

Year ended June 30, 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 \$1,605 for the year ended June 30, 2006 and \$0 for June 30, 2005.

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 \$250,000 and \$139,000 at June 30, 2006 and 2005, respectively. A local financial institution has pledged securities of \$200,000 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, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
<u>Accounts Receivable:</u>		
Registration fees	\$ 559	\$ 350
Total Accounts Receivable	<u>559</u>	<u>-</u>
<u>Contributions Receivable:</u>		
Event sponsorships	\$ 22,321	\$ 21,103
Other	<u>6,054</u>	<u>405</u>
Total Contributions Receivable	<u>\$ 28,375</u>	<u>\$ 21,508</u>
Contributions receivable are due as follows:		
Receivable in less than one year	\$ 24,375	\$ 21,508
Receivable in one to five years	<u>4,000</u>	<u>-</u>
Total contributions receivable	<u>\$ 28,375</u>	<u>\$ 21,508</u>

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

Knoxville, Tennessee

NOTES TO FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2006

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

Leasehold improvements, furniture and equipment consist of the following:

	<u>2006</u>	<u>2005</u>
Leasehold improvements	\$ 11,602	\$ 11,602
Furniture and equipment	<u>50,957</u>	<u>26,917</u>
	62,559	38,519
Less – Accumulated depreciation	<u>(29,331)</u>	<u>(26,491)</u>
	<u>\$ 33,228</u>	<u>\$ 12,028</u>

**NOTE E – RESTRICTED NET ASSETS**

The restricted net assets of the Association consist of the following at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
<u>Temporarily Restricted:</u>		
Dynamic Memory Center	\$ 2,489	\$ 4,969
Helping Hands Program	9,623	7,910
Lucille S. Thompson Scholarship & Safe Return Program	29,151	19,475
Martin Marietta – Anderson County Partnership	-	1,123
Konnections	19,373	23,186
Martin Marietta – Community Resources	2,837	2,835
Early Stage AD Support Group	4,418	4,786
Knoxville/Knox County/Sunrise	-	1,284
Video Library	<u>2,526</u>	<u>2,526</u>
	\$ 70,417	\$ 68,094
<u>Permanently Restricted:</u>		
Vandeventor Endowment	<u>5,000</u>	<u>5,000</u>
Total Restricted Net Assets	<u>\$ 75,417</u>	<u>\$ 73,094</u>

Net assets were released from donor restrictions by satisfaction of grant requirements during years ended June 30, 2006 and 2005 as follows:

	<u>2006</u>	<u>2005</u>
Dynamic Memory Center	\$ 2,480	\$ 1,702
Helping Hands: Church Volunteer Program	287	2,031
Martin Marietta – Anderson County Partnership	1,123	287
Konnections	53,812	26,814
Early Stage AD Support Group	368	618
Knoxville/Knox County/Sunrise	1,284	1,273
Lucille S. Thomspson Scholarship & Safe Return Program	<u>10,673</u>	<u>19,842</u>
	<u>\$ 70,027</u>	<u>\$ 52,567</u>

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

Knoxville, Tennessee

NOTES TO FINANCIAL STATEMENTS (Continued)

Year ended June 30, 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 \$9,209 and \$9,241 for the years ended June 30, 2006 and 2005, respectively. The Association also incurred related administrative expenses of \$1,878 and \$1,800 for the years ended June 30, 2006 and 2005, 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 (Nation). 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>2006</u>	<u>2005</u>
Dues	\$ 37,033	\$ 33,602
Supplies and conference registrations	2,797	5,765
Research	25	-

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

	<u>2006</u>	<u>2005</u>
Change in net assets	\$ 117,714	\$ 26,443
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,840	2,835
Loss on disposal of equipment	-	1,126
(Gain) loss from sale of marketable securities	17	(64)
Donations of marketable securities	(11,022)	(10,866)
Donation of antique automobile	-	(25,000)
Bad debts	1,800	1,250
Changes in operating assets and liabilities:		
Accounts and contributions receivable	(7,584)	8,856
Prepaid expenses	-	4,521
Inventory	871	(695)
Accounts payable and accrued expenses	(8,389)	(1,405)
Refundable advances	3,375	(13,859)
Cash (Used in) Provided by Operating Activities	<u>\$ 99,622</u>	<u>\$ (6,858)</u>