

**ALZHEIMER'S ASSOCIATION, INC.,  
WEST VIRGINIA CHAPTER**

**FINANCIAL REPORT**

**YEARS ENDED JUNE 30, 2011 AND 2010**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Alzheimer's Association, Inc., West Virginia Chapter  
Charleston, West Virginia

We have audited the accompanying statements of financial position of Alzheimer's Association, Inc., West Virginia Chapter as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 Association, Inc., West Virginia Chapter as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Brown, Edwards & Company, L.L.P.*

Charleston, West Virginia  
October 26, 2011

**ALZHEIMER'S ASSOCIATION, INC., WEST VIRGINIA CHAPTER**  
**STATEMENTS OF FINANCIAL POSITION**  
**AT JUNE 30, 2011 AND 2010**

<b>ASSETS</b>	2011	2010
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 262,170	\$ 40,055
Marketable equity securities	913,998	131,119
Due from National	29,329	29,512
Promises to give - unconditional	20,219	19,293
Bequest receivable, net	179,117	1,500,000
Grants receivable	19,807	27,995
Health insurance premiums credit receivable	4,576	0
Other current assets	3,039	3,377
<b>TOTAL CURRENT ASSETS</b>	<b>1,432,255</b>	<b>1,751,351</b>
<b>FIXED ASSETS</b>		
Property and equipment	58,123	57,820
Less: Accumulated depreciation	(30,938)	(46,095)
<b>TOTAL FIXED ASSETS</b>	<b>27,185</b>	<b>11,725</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,459,440</b>	<b>\$ 1,763,076</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 40,492	\$ 9,856
Due to National	371,714	426,632
Accrued expenses	12,624	8,908
Accrued and withheld payroll taxes	1,602	1,262
<b>TOTAL CURRENT LIABILITIES</b>	<b>426,432</b>	<b>446,658</b>
<b>NET ASSETS</b>		
Unrestricted	989,613	1,261,439
Temporarily restricted	43,395	54,979
<b>TOTAL NET ASSETS</b>	<b>1,033,008</b>	<b>1,316,418</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,459,440</b>	<b>\$ 1,763,076</b>

*See Independent Auditors' Report and Notes to Financial Statements.*

**ALZHEIMER'S ASSOCIATION, INC., WEST VIRGINIA CHAPTER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ALL FUNDS</u>
<b>REVENUE:</b>			
Contributions, gifts, grants and pledges:			
Direct public support:			
Memorials and tributes	\$ 31,969	\$ 2,940	\$ 34,909
Corporations	250	13,500	13,750
Individuals	28,091	2,030	30,121
Foundations	5,399	0	5,399
Organizations	17,162	500	17,662
Major gifts	4,000	3,000	7,000
Indirect public support:			
United Way	0	17,551	17,551
Combined Federal Campaign	4,707	0	4,707
Matching gifts	930	0	930
Government grants	14,413	6,061	20,474
Private grants	0	8,945	8,945
Special fundraising events:			
Memory Walk	319,396	0	319,396
Thanks for the Memories Luncheon	34,150	0	34,150
Dancing Through Time	12,702	0	12,702
Golf Tournament	3,234	0	3,234
Non-cash donations	52,103	0	52,103
Less: Event costs benefiting donors	(7,602)	0	(7,602)
Conferences	15,479	0	15,479
Sales	2,201	0	2,201
Fees for services	21,334	0	21,334
Investment return (loss)	16,096	0	16,096
Miscellaneous income	2,657	0	2,657
Net Association share to National	(20,148)	0	(20,148)
Net assets released from restrictions	66,111	(66,111)	0
<b>TOTAL REVENUE</b>	<u>\$ 624,634</u>	<u>\$ (11,584)</u>	<u>\$ 613,050</u>
<b>EXPENDITURES:</b>			
Program Services:			
Patient and family services	\$ 166,694	\$ 0	\$ 166,694
Public awareness and education	435,874	0	435,874
Public policy	52,824	0	52,824
Management and general	50,549	0	50,549
Fund development	190,519	0	190,519
<b>TOTAL EXPENDITURES</b>	<u>896,460</u>	<u>0</u>	<u>896,460</u>
<b>CHANGE IN NET ASSETS</b>	<u>(271,826)</u>	<u>(11,584)</u>	<u>(283,410)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,261,439</u>	<u>54,979</u>	<u>1,316,418</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 989,613</u>	<u>\$ 43,395</u>	<u>\$ 1,033,008</u>

*See Independent Auditors' Report and Notes to Financial Statements.*

**ALZHEIMER'S ASSOCIATION, INC., WEST VIRGINIA CHAPTER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ALL FUNDS</u>
<b>REVENUE:</b>			
Contributions, gifts, grants and pledges:			
Direct public support:			
Memorials and tributes	\$ 1,521,633	\$ 8,460	\$ 1,530,093
Corporations	826	4,000	4,826
Individuals	28,569	3,000	31,569
Foundations	3,137	6,263	9,400
Organizations	11,675	1,500	13,175
Major gifts	2,000	2,000	4,000
Indirect public support:			
United Way	0	16,888	16,888
Combined Federal Campaign	7,637	0	7,637
Matching gifts	955	0	955
Government grants	14,028	0	14,028
Private grants	0	9,532	9,532
National Grants	0	18,000	18,000
Special fundraising events:			
Memory Walk	336,065	0	336,065
Thanks for the Memories Luncheon	27,185	0	27,185
Golf Tournament	9,775	0	9,775
Non-cash donations	56,893	0	56,893
Less: Event costs benefiting donors	(4,968)	0	(4,968)
Conferences	20,145	0	20,145
Sales	1,315	0	1,315
Fees for services	18,195	0	18,195
Investment return (loss)	27,813	0	27,813
Miscellaneous income	1,845	0	1,845
Net Association share to National	(382,308)	0	(382,308)
Net assets released from restrictions	109,613	(109,613)	0
<b>TOTAL REVENUE</b>	<u>\$ 1,812,028</u>	<u>\$ (39,970)</u>	<u>\$ 1,772,058</u>
<b>EXPENDITURES:</b>			
Program Services:			
Patient and family services	\$ 171,939	\$ 0	\$ 171,939
Public awareness and education	371,413	0	371,413
Public policy	43,316	0	43,316
Management and general	53,215	0	53,215
Fund development	134,379	0	134,379
<b>TOTAL EXPENDITURES</b>	<u>774,262</u>	<u>0</u>	<u>774,262</u>
<b>CHANGE IN NET ASSETS</b>	1,037,766	(39,970)	997,796
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>223,673</u>	<u>94,949</u>	<u>318,622</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,261,439</u>	<u>\$ 54,979</u>	<u>\$ 1,316,418</u>

*See Independent Auditors' Report and Notes to Financial Statements.*

**ALZHEIMER'S ASSOCIATION, INC., WEST VIRGINIA CHAPTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>TOTAL</u>	<u>PROGRAM SERVICES</u>	<u>MGMT AND GENERAL</u>	<u>FUND RAISING</u>
Salaries and wages	\$ 392,429	\$ 308,865	\$ 19,432	\$ 64,132
Fringe benefits	36,729	28,098	2,048	6,583
Payroll taxes	32,904	25,682	1,614	5,608
Professional fees	59,819	0	12,297	47,522
Outside and contract labor	34,100	34,100	0	0
Office supplies	28,838	21,610	3,985	3,243
Program supplies	445	445	0	0
Telephone	9,922	8,680	546	696
Postage	18,598	15,723	1,128	1,747
Rent	33,600	25,693	2,127	5,780
Utilities	8,111	6,103	540	1,468
Insurance - liability	3,274	2,550	195	529
Repairs and maintenance	2,557	1,924	170	463
Printing, publications and subscriptions	103,657	84,572	1,896	17,189
Staff development	864	684	0	180
Advertising	18,266	17,409	0	857
Conferences	20,771	19,805	0	966
Volunteer development	202	175	6	21
Travel	44,077	41,038	589	2,450
Dues and subscriptions	1,484	1,484	0	0
Caregiver funds	2,970	2,970	0	0
Interest and bank charges	5,731	0	3,055	2,676
Miscellaneous	816	75	515	226
Bad debt expense	30,200	3,120	0	27,080
Depreciation	6,096	4,587	406	1,103
<b>TOTAL FUNCTIONAL EXPENDITURES</b>	<b>\$ 896,460</b>	<b>\$ 655,392</b>	<b>\$ 50,549</b>	<b>\$ 190,519</b>

*See Independent Auditors' Report and Notes to Financial Statements.*

**ALZHEIMER'S ASSOCIATION, INC., WEST VIRGINIA CHAPTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>TOTAL</u>	<u>PROGRAM SERVICES</u>	<u>MGMT AND GENERAL</u>	<u>FUND RAISING</u>
Salaries and wages	\$ 378,893	\$ 294,196	\$ 18,927	\$ 65,770
Fringe benefits	52,936	40,487	2,962	9,487
Payroll taxes	32,001	24,779	1,614	5,608
Accounting fees	11,259	0	11,259	0
Outside and contract labor	11,137	11,105	7	25
Office supplies	25,315	18,235	3,518	3,562
Program supplies	641	641	0	0
Telephone	10,845	9,050	656	1,139
Postage	13,841	10,203	642	2,996
Rent	32,875	24,944	2,133	5,798
Utilities	6,088	4,581	405	1,102
Insurance - liability	4,634	3,573	285	776
Repairs and maintenance	3,093	2,312	225	556
Printing, publications and subscriptions	102,100	84,448	963	16,689
Staff development	1,060	930	0	130
Advertising	5,695	5,695	0	0
Conferences	14,878	13,844	0	1,034
Volunteer development	365	293	16	56
Travel	39,413	22,316	6,055	11,042
Dues and subscriptions	4,167	3,467	0	700
Caregiver funds	4,783	4,783	0	0
Interest and bank charges	6,029	1,620	3,329	1,080
Miscellaneous	1,532	1,269	(126)	389
Bad debt expense	5,503	0	0	5,503
Depreciation	5,179	3,897	345	937
<b>TOTAL FUNCTIONAL EXPENDITURES</b>	<b><u>\$ 774,262</u></b>	<b><u>\$ 586,668</u></b>	<b><u>\$ 53,215</u></b>	<b><u>\$ 134,379</u></b>

*See Independent Auditors' Report and Notes to Financial Statements.*

**ALZHEIMER'S ASSOCIATION, INC., WEST VIRGINIA CHAPTER**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash from contributions	\$ 1,451,986	\$ 117,400
Cash from special events	413,983	424,950
Cash from grants	37,607	41,109
Cash from program services	21,334	18,195
Cash from miscellaneous revenue	15,761	23,305
Cash from investment income	6,582	5,297
<b>OPERATING RECEIPTS</b>	<b>1,947,253</b>	<b>630,256</b>
Cash paid to personnel	(458,006)	(465,133)
Cash paid to vendors	(403,910)	(302,527)
Cash from (paid to) National	(74,883)	22,000
<b>OPERATING DISBURSEMENTS</b>	<b>(936,799)</b>	<b>(745,660)</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>1,010,454</b>	<b>(115,404)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(21,556)	(3,946)
Proceeds from sale of securities	47,630	3,871
Investment in securities	(814,413)	58,972
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(788,339)</b>	<b>58,897</b>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<b>222,115</b>	<b>(56,507)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>40,055</b>	<b>96,562</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 262,170</b>	<b>\$ 40,055</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO</b>		
<b>NET CASH (USED) BY OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (283,410)	\$ 997,796
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS</b>		
<b>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Net unrealized (gain) loss on investments	(16,096)	(27,813)
Depreciation	6,096	5,179
(Increase) decrease in promises to give	(926)	(1,143)
(Increase) decrease in bequest receivable	1,320,883	(1,500,000)
(Increase) decrease in grants receivable	8,188	(451)
(Increase) decrease in health insurance premiums credit receivable	(4,576)	0
(Increase) decrease in other current assets	338	3,176
(Increase) decrease in due to/due from National	(54,735)	404,308
Increase (decrease) in accounts payable	30,636	4,847
Increase (decrease) in accrued expenses	3,716	(1,237)
Increase (decrease) in accrued and withheld payroll taxes	340	(66)
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 1,010,454</b>	<b>\$ (115,404)</b>

*See Independent Auditors' Report and Notes to Financial Statements.*

## **NOTES TO FINANCIAL STATEMENTS**

### **Alzheimer's Association, Inc., West Virginia Chapter**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Nature of activities**

The Alzheimer's Association, Inc., West Virginia Chapter (the Association) was created in October 2001 from the merger of three existing chapters. The Association provides education to health care professionals and the public, guidance and support for patients, their families and caregivers, and encourages and supports research of Alzheimer's disease and related disorders. The Association is supported from a variety of sources such as donor contributions, government and private grants, and special events. Their primary activities take place within the State of West Virginia and certain counties in eastern Ohio.

##### **Financial statement presentation**

The statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

According to GAAP, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Association is required to present a statement of cash flows. The Association has elected not to use fund accounting as permitted by the statement.

##### **Promises to give**

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Promises to give are charged to bad debt expense as they are deemed uncollectible based on periodic reviews of aging and collections by management. The Association considers promises to give presented at the statement of financial position dates to be fully collectible. The Association has incurred \$30,200 and \$5,503 in bad debt losses as of June 30, 2011 and 2010. Promises to give are classified as a current asset on the statement of financial position if collection is expected within the next twelve months.

##### **Contributed services**

The Association receives donated services from a variety of unpaid volunteers assisting with various programs and services. No amounts have been recognized as revenue and expenses in the accompanying financial statements because the criteria for recognition of such volunteer effort under GAAP have not been satisfied.

##### **Cash and equivalents**

The Association considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Association occasionally carries deposits in financial institutions which are in excess of federally insured amounts.

*(continued)*

## **NOTES TO FINANCIAL STATEMENTS**

### **Alzheimer's Association, Inc., West Virginia Chapter**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Collectability of receivables**

Grants receivable are presented on the statement of financial position net of amounts written-off based on management's assessment of collectability. Grants deemed uncollectible are charged to bad debt expense based upon Management's periodic review of the receivables. Based on the composition of the receivables as of the statement of financial position dates and the lack of significant bad debt history, management believes no reserve for bad debts is required.

##### **Use of estimates**

Preparation of financial statements requires Association management to make estimates and assumptions that affect reported amounts of assets, liabilities, support and expenses. Actual results could differ from those estimates.

##### **Inventory**

Inventory consists primarily of items which are sold to caregivers to assist in the care of Alzheimer's patients. Inventory is stated at the lower of average cost or market value.

##### **Support and revenue**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence or nature of any donor restrictions. Contributions of donated non-cash assets are recorded at their fair values in the period received. Total donated non-cash assets for the years ended June 30, 2011 and 2010 were \$52,103 and \$56,893.

Grants are reported as temporarily restricted support if they are received with donor stipulations that limit the use. When the restriction expires the temporarily restricted assets are reclassified to unrestricted net assets.

The Association hosts annual Memory Walks in various locations. These walks represent a significant portion of total contributions received during the year. Total revenues for the years ended June 30, 2011 and 2010 were \$319,396 and \$336,065.

##### **Functional allocation of expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services.

##### **Advertising**

The Association expenses advertising costs when incurred. Total cost recognized for advertising at June 30, 2011 and 2010 was \$18,266 and \$5,695.

##### **Property and equipment**

Property and equipment is stated at cost if purchased or estimated fair value if donated and is depreciated using the straight-line method over the estimated useful lives of the assets. Major improvements and repairs are capitalized while expenditures for minor repairs and maintenance are expensed when incurred.

**(continued)**

**NOTES TO FINANCIAL STATEMENTS**  
**Alzheimer's Association, Inc., West Virginia Chapter**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Income taxes**

The Chapter qualifies as part of the national affiliate as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is classified by the Internal Revenue Service as other than a private foundation. Therefore, no provision for income tax is provided in these financial statements.

**Reclassifications**

Amounts in prior statements may have been reclassified to conform to current presentation.

**NOTE 2 – BEQUEST RECEIVABLE**

The Association records bequest receivables at estimated net realizable amounts. The total unrestricted amount recorded at June 30, 2011 relates to the remaining balance of a bequest from an estate that is currently being disputed. The amount at June 30, 2011 includes an allowance of \$25,000. See also Note 12.

**NOTE 3 – INVESTMENTS**

Investments in marketable and debt securities consist of available-for-sale mutual funds all recorded at their fair market value basis on active market quotations (all Level 1 inputs as described below). Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. The Association uses a framework for measuring fair value that prioritizes the inputs of valuation techniques. The highest priority (Level 1 input) is given to unadjusted quoted prices in active markets for identical assets. The next priority (Level 2 input) is given to, among other things, prices that are derived from observable market data. The lowest priority (Level 3 input) is given to valuation methods where the input is largely unobservable, such as expert appraisal. The following is a summary of portfolio activities for the years ended:

<b>As of the Statement of Financial Position</b>	<b>2011</b>	<b>2010</b>
<b>Unrestricted mutual funds:</b>		
Fair market value (Level 1 inputs)	\$ 913,998	\$ 131,119
Cost	904,267	128,650
	<u>\$ 9,731</u>	<u>\$ 2,469</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2011 and 2010:

<b>As of the Statement of Financial Position</b>	<b>2011</b>	<b>2010</b>
<b>Unrestricted net assets:</b>		
Interest and dividend income	\$ 6,582	\$ 5,297
Net realized and unrealized gain/(loss)	9,514	22,516
Total investment return	<u>\$ 16,096</u>	<u>\$ 27,813</u>

**NOTES TO FINANCIAL STATEMENTS**  
**Alzheimer's Association, Inc., West Virginia Chapter**

**NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Government and National grants	\$ 6,004	\$ 18,700
Scholarships, training and respite	17,270	18,340
Lending library and support groups	8,379	7,208
Outreach	7,797	10,731
Caregiver manuals	3,945	0
	<u>\$ 43,395</u>	<u>\$ 54,979</u>

Temporarily restricted net assets are included in the Statements of Financial Position as follows:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 32,671	\$ 38,503
Grants receivable	10,724	16,476
	<u>\$ 43,395</u>	<u>\$ 54,979</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2011</u>	<u>2010</u>
Government and National grants	\$ 18,757	\$ 250
Scholarships, training and respite	18,621	27,970
Lending library and support groups	1,829	4,187
Outreach	26,904	22,468
Caregiver manuals	0	2,525
Special events	0	52,213
	<u>\$ 66,111</u>	<u>\$ 109,613</u>

The Association received no contributions which were permanently restricted in 2011 and 2010.

**NOTE 5 - OPERATING LEASES**

The Association rents office space in three locations throughout West Virginia. These are month to month rental agreements with a combined monthly payment of \$2,800. Total rent expense for the years ended June 30, 2011 and 2010 was \$33,600 and \$32,875. Subsequent to June 30, 2011 the lease on the Charleston location was extended through February 2012 at \$1,600 per month.

**NOTES TO FINANCIAL STATEMENTS**  
**Alzheimer's Association, Inc., West Virginia Chapter**

**NOTE 6 - JOINT COSTS**

The Association incurs joint costs that include both fund-raising and program service components. The 2011 and 2010 joint activity relates to the quarterly newsletter for printing, postage and mailing costs. The total amount allocated during the period ended June 30, 2011 and 2010 was \$22,023 and \$15,930, consisting of \$14,781 and \$11,180 in printing costs, and \$7,242 and \$4,750 in postage and mailing costs, respectively.

**NOTE 7 - COMMITMENTS**

The Association has entered into an agreement with a government relations, lobbying and organizational development firm for assistance in developing a comprehensive legislative and grassroots strategy. The agreement requires monthly payments of \$1,000 through June 2012. This agreement may be terminated by either party at any time with thirty days written notice. Total consulting expense for the years ended June 30, 2011 and 2010 in connection with this agreement was \$12,000 and \$11,000.

**NOTE 8 - LINE OF CREDIT**

As of June 30, 2011, the Association had an unsecured line of credit from a local financial institution for \$50,000. The line of credit had an interest rate equal to the Wall Street Journal prime rate which was 3.25% as of June 30, 2011. There was no outstanding balance on the credit line at either balance sheet date. Subsequent to June 30, 2011, the Association terminated its unsecured line of credit.

**NOTE 9 - PENSION PLAN**

The Association initiated a pension plan for employees effective September 1, 2004. The plan permits only employee salary reduction contributions made pursuant to voluntary salary reduction agreements between the Association and its eligible employees which are excluded from gross income under Code Section 403(b). All employees are eligible and the plan does not provide for any other contributions by the Association.

**NOTE 10 - REVENUE SHARING AGREEMENT**

The Association has entered into a five year revenue sharing agreement with the National Alzheimer's Association (National) that expires June 30, 2012. The revenue sharing applies to unrestricted donations for non-specific operating purposes.

Revenue sharing between the Association and National were as follows:

	<u>2011</u>	<u>2010</u>
<b>National and Association Revenue Sharing:</b>		
Association's share of National income	\$ 121,019	\$ 130,373
National's share of Association income	<u>(141,167)</u>	<u>(512,681)</u>
Net Association income (loss)	<u>\$ (20,148)</u>	<u>\$ (382,308)</u>

## **NOTES TO FINANCIAL STATEMENTS**

### **Alzheimer's Association, Inc., West Virginia Chapter**

#### **NOTE 11 – UNCERTAIN INCOME TAX POSITIONS**

Accounting Standards prescribe a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return where there is uncertainty about whether a tax position will ultimately be sustained upon examination. The Association adopted the recognition and disclosure provisions of the standard. The adoption of this standard did not have an effect on the Company's financial position or changes in net assets. Because of the Association's tax-exempt status and as a matter of policy, management believes there have been no uncertain tax positions taken in the entity's tax filings for any reporting period open to normal jurisdictional examination (currently 2008 through 2011). Accordingly, no liability for uncertain tax positions (or associated penalties and interest) is provided in these financial statements.

#### **NOTE 12 – CONTINGENCY**

The Association is pursuing a complaint against the settlement of accounts of the bequest mentioned in Note 2. Subsequent to June 30, 2011, the County Commission signed an order removing the case to Circuit Court. The Association is drafting a complaint for Circuit Court. The Association is anticipating this matter will be handled through mediation.

#### **NOTE 13 – PRIOR PERIOD RECLASSIFICATION**

The Association determined that special events should be classified as unrestricted instead of restricted, which is how they were classified in the June 30, 2010 financial statements. Net assets were reclassified as follows:

##### **Unrestricted net assets**

As reported June 30, 2010	\$ 1,196,233
Special events	65,206
Unrestricted net assets beginning of year, as reclassified	<u>\$ 1,261,439</u>

##### **Restricted net assets**

As reported June 30, 2010	\$ 120,185
Special events	(65,206)
Restricted net assets beginning of year, as reclassified	<u>\$ 54,979</u>

#### **NOTE 14 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 26, 2011, the date that the financial statements were available to be issued.

Effective July 1, 2011, the Association entered into an agreement with National to purchase certain information technology services. The Association will pay National \$1,565 a year for these services. The agreement ends on June 30, 2012, but is automatically extended for successive twelve month periods until either party informs the other party of its intent to terminate the agreement.

Subsequent to June 30, 2011, the Association was given notice that they would not be receiving United Way funding for the calendar year ending December 31, 2012 contingent on the Association receiving the \$1,500,000 bequest. Since the Association has not received the full \$1,500,000 and they do not believe they will, they believe this potential funding reduction will not occur. See also Note 2 for bequest receivable allowance.