



Consolidated Financial Statements and Report of  
Independent Certified Public Accountants

**Alzheimer's Association**

June 30, 2015 and 2014

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors  
Alzheimer's Association

### **Report on the financial statements**

We have audited the accompanying consolidated financial statements of Alzheimer's Association and affiliates (together, the Association), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alzheimer's Association and affiliates as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

#### Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position as of June 30, 2015, and consolidating statement of activities for the year ended June 30, 2015, are presented for purposes of additional analysis, rather than to present the financial position, results of operations and cash flows of the individual entities, and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating and supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



Chicago, Illinois  
October 19, 2015

Alzheimer's Association  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30,**  
**(In thousands)**

<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
Cash	\$ 38,951	\$ 30,157
Pledges receivable, net	37,405	21,056
Receivables - Chapters, net	19,376	18,624
Other receivables	1,363	4,513
Notes receivable	26	40
Inventories of education materials, at cost	505	416
Investments	48,669	54,289
Prepaid expenses	4,694	4,637
Assets held in trust	226	222
Fixed assets, net	7,967	7,675
Beneficial interest in split-interest agreements	5,229	5,329
Beneficial interest in perpetual trusts	<u>16,871</u>	<u>14,981</u>
<b>TOTAL ASSETS</b>	<u><u>\$181,282</u></u>	<u><u>\$161,939</u></u>

<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 1,128	\$ 1,898
Grants payable, net	20,268	21,885
Deferred compensation payable	526	372
Accrued expenses	10,953	7,411
Self-insurance reserve	290	257
Accounts payable - Chapters	14,563	15,184
Gift annuity obligations	5,161	5,050
Deferred revenue	2,415	3,183
Deferred rent	<u>1,361</u>	<u>1,682</u>
Total liabilities	56,665	56,922
Net assets		
Unrestricted	42,285	40,000
Temporarily restricted	52,785	37,497
Permanently restricted	<u>29,547</u>	<u>27,520</u>
Total net assets	<u>124,617</u>	<u>105,017</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$181,282</u></u>	<u><u>\$161,939</u></u>

The accompanying notes are an integral part of these statements.

Alzheimer's Association  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
Year ended June 30, 2015, with comparative totals for 2014  
(In thousands)

	2015			2014 total*	
	Unrestricted	Temporarily restricted	Permanently restricted		Total
Revenues, gains and other support					
Contributions	\$ 97,265	\$ 41,513	\$ 38	\$138,816	\$113,354
Less contributions remitted to Chapters	(36,640)	-	-	(36,640)	(33,287)
Add amounts received from Chapters under shared fundraising	49,205	-	-	49,205	42,366
Net contribution revenues	109,830	41,513	38	151,381	122,433
Book sales and other	12,129	-	-	12,129	10,610
Dividends and interest	1,787	1,031	-	2,818	2,044
Net assets released from restrictions	27,139	(27,139)	-	-	-
Total revenues, gains and other support	150,885	15,405	38	166,328	135,087
Expenses					
Program services					
Research	32,535	-	-	32,535	29,147
Public awareness and education	40,662	-	-	40,662	31,340
Chapter services	11,035	-	-	11,035	10,834
Public policy	8,384	-	-	8,384	8,744
Family and health care professional services	22,470	-	-	22,470	19,291
Total program services	115,086	-	-	115,086	99,356
Supporting services					
Management and general	9,685	-	-	9,685	7,357
Fundraising	22,990	-	-	22,990	20,371
Total supporting services	32,675	-	-	32,675	27,728
Total expenses	147,761	-	-	147,761	127,084
Excess from operations	3,124	15,405	38	18,567	8,003
Other changes in net assets					
Net realized and unrealized (losses) gains in value of investments	(664)	(146)	-	(810)	4,923
Change in value of split-interest agreements	(234)	(256)	-	(490)	(254)
Change in value of perpetual trusts	-	-	(298)	(298)	1,548
Acquisition of dissolved chapters	464	285	2,287	3,036	6,164
Bad debt expense	(405)	-	-	(405)	(520)
Total other changes in net assets	(839)	(117)	1,989	1,033	11,861
<b>CHANGE IN NET ASSETS</b>	2,285	15,288	2,027	19,600	19,864
Net assets at beginning of year	40,000	37,497	27,520	105,017	85,153
Net assets at end of year	\$ 42,285	\$ 52,785	\$ 29,547	\$124,617	\$105,017

\*See complete 2014 statement of activities on page 7.

The accompanying notes are an integral part of this statement.

Alzheimer's Association  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
Year ended June 30, 2014  
(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support				
Contributions	\$ 81,922	\$ 30,881	\$ 551	\$113,354
Less contributions remitted to Chapters	(33,287)	-	-	(33,287)
Add amounts received from Chapters under shared fundraising	42,366	-	-	42,366
Net contribution revenues	91,001	30,881	551	122,433
Book sales and other	10,610	-	-	10,610
Dividends and interest	1,284	760	-	2,044
Net assets released from restrictions	22,908	(22,908)	-	-
Total revenues, gains and other support	125,803	8,733	551	135,087
Expenses				
Program services				
Research	29,147	-	-	29,147
Public awareness and education	31,340	-	-	31,340
Chapter services	10,834	-	-	10,834
Public policy	8,744	-	-	8,744
Family and health care professional services	19,291	-	-	19,291
Total program services	99,356	-	-	99,356
Supporting services				
Management and general	7,357	-	-	7,357
Fundraising	20,371	-	-	20,371
Total supporting services	27,728	-	-	27,728
Total expenses	127,084	-	-	127,084
(Deficiency) excess from operations	(1,281)	8,733	551	8,003
Other changes in net assets				
Net realized and unrealized gains in value of investments	3,391	1,532	-	4,923
Change in value of split-interest agreements	(239)	(15)	-	(254)
Change in value of perpetual trusts	-	-	1,548	1,548
Acquisition of dissolved chapters	3,219	2,436	509	6,164
Bad debt expense	(520)	-	-	(520)
Total other changes in net assets	5,851	3,953	2,057	11,861
<b>CHANGE IN NET ASSETS</b>	4,570	12,686	2,608	19,864
Net assets at beginning of year	35,430	24,811	24,912	85,153
Net assets at end of year	<u>\$ 40,000</u>	<u>\$ 37,497</u>	<u>\$ 27,520</u>	<u>\$105,017</u>

The accompanying notes are an integral part of this statement.

Alzheimer's Association  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2015  
(In thousands)

	Program services					Supporting services			Total all expenses	
	Research	Public awareness and education	Chapter services	Public policy	Family and health care professional services	Total	Management and general	Fundraising		Total
Salaries and related benefits	\$ 3,825	\$ 9,059	\$ 6,769	\$ 3,923	\$ 13,142	\$ 36,718	\$ 3,458	\$ 10,569	\$ 14,027	\$ 50,745
Grants and funded research	16,384	-	306	1,350	664	18,704	-	-	-	18,704
Professional fees and consultants	1,905	2,399	730	693	2,129	7,856	875	3,850	4,725	12,581
Telephone, postage and supplies	385	4,476	229	242	634	5,966	1,742	2,059	3,801	9,767
Occupancy	586	947	398	570	2,175	4,676	848	903	1,751	6,427
Conferences and meetings	4,083	1,172	1,304	923	1,432	8,914	434	1,641	2,075	10,989
Printing and promotions	1,681	22,342	333	507	1,048	25,911	1,495	3,292	4,787	30,698
Miscellaneous	3,625	152	55	99	951	4,882	722	472	1,194	6,076
Total expenses before depreciation	32,474	40,547	10,124	8,307	22,175	113,627	9,574	22,786	32,360	145,987
Depreciation	61	115	911	77	295	1,459	111	204	315	1,774
Total expenses	<u>\$ 32,535</u>	<u>\$ 40,662</u>	<u>\$ 11,035</u>	<u>\$ 8,384</u>	<u>\$ 22,470</u>	<u>\$ 115,086</u>	<u>\$ 9,685</u>	<u>\$ 22,990</u>	<u>\$ 32,675</u>	<u>\$ 147,761</u>

The accompanying notes are an integral part of this statement.



Alzheimer's Association  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2014  
(In thousands)

	Program services					Supporting services			Total all expenses	
	Research	Public awareness and education	Chapter services	Public policy	Family and health care professional services	Total	Management and general	Fundraising		Total
Salaries and related benefits	\$ 5,639	\$ 5,083	\$ 6,704	\$ 4,467	\$ 11,350	\$ 33,243	\$ 2,615	\$ 9,565	\$ 12,180	\$ 45,423
Grants and funded research	13,269	198	678	1,294	163	15,602	-	-	-	15,602
Professional fees and consultants	1,698	1,279	528	831	1,791	6,127	647	3,042	3,689	9,816
Telephone, postage and supplies	424	4,666	288	261	599	6,238	1,602	1,271	2,873	9,111
Occupancy	1,165	957	431	465	2,562	5,580	211	619	830	6,410
Conferences and meetings	2,304	702	1,222	905	1,067	6,200	260	1,552	1,812	8,012
Printing and promotions	1,633	18,244	355	360	678	21,270	1,474	3,739	5,213	26,483
Miscellaneous	2,973	129	80	113	884	4,179	471	435	906	5,085
Total expenses before depreciation	29,105	31,258	10,286	8,696	19,094	98,439	7,280	20,223	27,503	125,942
Depreciation	42	82	548	48	197	917	77	148	225	1,142
Total expenses	<u>\$ 29,147</u>	<u>\$ 31,340</u>	<u>\$ 10,834</u>	<u>\$ 8,744</u>	<u>\$ 19,291</u>	<u>\$ 99,356</u>	<u>\$ 7,357</u>	<u>\$ 20,371</u>	<u>\$ 27,728</u>	<u>\$ 127,084</u>

The accompanying notes are an integral part of this statement.

**Alzheimer's Association**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years ended June 30,**  
**(In thousands)**

	<u>2015</u>	<u>2014</u>
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ 19,600	\$ 19,864
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,774	1,142
Net realized and unrealized losses (gains) in value of investments	810	(4,923)
Cash received from acquired chapters	(424)	(2,601)
Increase in pledges, chapter receivables, other receivables and notes receivable	(13,935)	(352)
(Increase) decrease in inventories and prepaid expenses	(146)	1,623
Increase in payables, accrued expenses and chapter obligations	719	2,222
(Decrease) increase in deferred revenue	(768)	388
Decrease in deferred rent	(321)	(286)
Decrease (increase) in beneficial interest in split-interest agreements	100	(3,831)
Change in value of perpetual trusts	(1,890)	(1,982)
Increase in gift annuity obligations	111	699
Contributions restricted for long-term investment	(38)	(551)
Net cash provided by operating activities	<u>5,592</u>	<u>11,412</u>
Cash flows from investing activities		
Purchase of fixed assets	(2,066)	(3,010)
Proceeds from sale of investments	22,934	32,578
Purchases of investments	(16,857)	(33,669)
Cash received from acquired chapters	424	2,601
Net cash provided by (used in) investing activities	<u>4,435</u>	<u>(1,500)</u>
Cash flows from financing activities		
Proceeds from contributions restricted for Long-term investment	38	551
Investment subject to annuity agreement	897	780
Payment of annuity obligations	(2,168)	(1,799)
Net cash used in financing activities	<u>(1,233)</u>	<u>(468)</u>
<b>NET CHANGE IN CASH</b>	<b>8,794</b>	<b>9,444</b>
Cash at beginning of year	<u>30,157</u>	<u>20,713</u>
Cash at end of year	<u><u>\$ 38,951</u></u>	<u><u>\$ 30,157</u></u>

The accompanying notes are an integral part of these statements.

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE A - ORGANIZATION AND BASIS OF CONSOLIDATION**

The accompanying consolidated financial statements include the accounts of the Alzheimer's Association, Alzheimer's Impact Movement (AIM), Alzheimer's Impact Movement Political Action Committee (AIMPAC) and The ALZ Disease and Related Disorders Association of Canada, Inc. (together, the Association). All significant intercompany balances and transactions have been eliminated in consolidation.

The Alzheimer's Association, incorporated as the Alzheimer's Disease and Related Disorders Association, Inc., is a not-for-profit, tax-exempt organization dedicated to achieving its mission: to eliminate Alzheimer's disease through the advancement of research, to provide and enhance care and support for all affected, and to reduce the risk of dementia through the promotion of brain health. The Association's mission is carried out through research, education, public awareness, advocacy, programs and services. The Association's primary sources of revenue and support are contributions from the public, corporations and foundations.

AIM is a non-partisan, non-profit advocacy organization working in strategic partnership with the Alzheimer's Association to make Alzheimer's disease a national priority. AIM's mission is to advocate for the advancement of public policy in order to eliminate Alzheimer's disease through the advancement of research, to enhance care and support for all affected and to reduce the risk of dementia.

AIMPAC is a voluntary, non-partisan political action committee to support and elect federal congressional candidates who are committed to ending Alzheimer's disease in our lifetimes. AIMPAC, the political arm of AIM, is integral in educating members of Congress about critical Alzheimer's issues in support of the policy priorities of the Alzheimer's Association; to fight for a better life for the millions of Americans who live with Alzheimer's; and to ensure the voice of the Alzheimer's community is heard in the halls of Congress.

The ALZ Disease and Related Disorders Association of Canada, Inc. is a not-for-profit Canadian entity incorporated on June 4, 2015, dedicated to promoting health by providing enhanced care and support services for individuals affected by Alzheimer's disease and related disorders, and to advancing education by facilitating and supporting research on the treatment of Alzheimer's disease and related disorders in Canada. The ALZ Disease and Related Disorders Association of Canada, Inc.'s primary sources of revenue and support will be contributions from the public; however, there is no activity for the year ended June 30, 2015.

In addition, the Association oversees the operations and activities for 27 National Chapters to facilitate strategic alignment, deliver on the overarching Association-wide strategic objectives and priority activities, and to ensure coverage for all geographic territories. The National Chapters' activity is included in the consolidated financial statements and consists of incremental revenues of approximately \$35,000,000 and expenses of approximately \$21,000,000 for the year ended June 30, 2015, and revenues of approximately \$27,600,000 and expenses of approximately \$16,900,000 for the year ended June 30, 2014.

There were 55 local chapters supported by the Association as of June 30, 2015. The accounts and operations of the local chapters are appropriately not included in the Association's consolidated financial statements. Two chapters dissolved during the year ended June 30, 2015. Seven chapters dissolved and a portion of an existing chapter was assumed by the national organization during the year ended June 30, 2014.

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Contributions and Presentation*

All contributions are considered available for the general programs of the Association unless specifically restricted by the donor. The Association reports monetary gifts as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets or are subject to time or legal restriction. A donor restriction expires when a stipulated time or legal restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

For discounting purposes, pledges receivable are classified as either collectible in one year or less or collectible in multiple years. Those receivables deemed collectible in one year or less are stated at their full face value. Those classified as multi-year pledges are stated at their net present value using a risk-adjusted discount rate.

Permanently restricted net assets are those assets for which donors require the principal of the gift to be maintained in perpetuity.

Under the Shared Fundraising (SFR) policy, the Association and Chapters share all unrestricted contributed revenue received by either party from the chapter's geographical area based on a predetermined sharing percentage. The amount due from the local chapters under SFR is reported as Receivables - Chapters. The amount due to the local chapters under SFR is reported as Accounts Payable - Chapters.

### *Use of Estimates*

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time the estimates are made, actual results could differ from those estimates.

### *Allowances for Uncollectible Amounts*

The Association evaluates the collectibility of its chapter receivables and pledges receivable based on the length of time the receivable is outstanding, historical experience, and an assessment of business and economic conditions. The receivables are charged to the allowance for uncollectible amounts when they are deemed uncollectible.

### *Fair Value of Financial Instruments*

U.S. GAAP defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and specifies disclosure requirements for fair value measurements. Furthermore, the Association maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2015 and 2014**

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Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but that are traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. 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. However, the determination of what constitutes observable requires significant judgment by the Association. The Association considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based on the pricing transparency of the instrument and does not necessarily correspond to the Association's perceived risk of that instrument.

***Valuation of Investments and Financial Instruments***

Investments with values that are based on quoted market prices in active markets and are, therefore, classified within Level 1 include active listed equities and fixed income funds, as well as assets held in trust - mutual funds. The Association does not adjust the quoted price for such instruments, even in situations where the Association holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but that are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within Level 2. Level 2 investments include U.S. government agency securities.

Investments and financial instruments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The valuation of the beneficial interest in the split-interest agreements and perpetual trusts falls under Level 3, as there are no significant observable inputs. The trust valuations are based on assumptions about the present value of distributions to be received from the trusts.

The inputs used by the Association in estimating the Level 3 beneficial interest in the split-interest agreements and perpetual trusts include mark-to-market adjustments, annuitant life expectancy and future asset growth. Assumptions used by the Association due to the lack of observable inputs may significantly impact the resulting

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2015 and 2014**

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fair value of the investments and beneficial interest in the split-interest agreements and perpetual trusts and, therefore, the Association's results of operations.

***Assets Held in Trust***

Investments held in trust are carried at fair value. The investments represent contributions to 457(b) plans for key employees. See note G for additional information about the terms of these plans.

***Operating Versus Non-operating***

The Association classifies all business operations as support and revenue and expenses in the statement of activities, except non-operating items. Operating expenses are classified by functional categories that reflect the Association's operations. Non-operating items include net realized and unrealized gains and losses in value of investments, the change in value of split-interest agreements and perpetual trusts, acquisition of dissolved chapters and bad debt expense, as these activities do not relate to core operations.

***Fixed Assets***

Building, furniture, equipment and leasehold improvements are stated at cost or, if donated, at fair value at the date of donation. Depreciation on furniture and equipment is provided on a straight-line basis over the estimated useful lives (three to seven years) of the assets. Depreciation on the building is provided on a straight-line basis over the estimated useful life (39 years). Amortization of leasehold improvements is provided on a straight-line basis over the shorter of the useful life or remaining life of the lease (up to 15 years).

***Notes Receivable***

Loans receivable are stated at amounts due. The Association evaluates the collectibility of its loans receivable based on the length of time the receivable is outstanding and an assessment of business and economic conditions. Accounts outstanding longer than the contractual payment terms are considered past due. The Association maintained no past-due loans receivable for the years ended June 30, 2015 and 2014. The Association did not record an allowance for doubtful accounts based on an assessment of the nature of the loans receivable.

***Grants Payable***

The Association awards research grants generally covering a period of one to three years. Grant expense is recorded as an unconditional promise to give upon approval of the grant.

***Deferred Revenue***

Registration fees received for conferences to be held in a subsequent period are recognized as deferred revenue. These fees are recorded as unrestricted revenues in the period in which the conference is held.

***Advertising Expense***

Advertising expense is recorded in the period in which the advertising first takes place. Advertising expense was approximately \$16,592,000 and \$13,586,000 for the years ended June 30, 2015 and 2014, respectively.

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2015 and 2014**

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***Income Taxes***

The Association and AIM have received favorable determination letters from the Internal Revenue Service stating that they are exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code of 1986 (IRC), as organizations described in Sections 501(c)(3) and 501(c)(4), respectively, except for income taxes pertaining to unrelated business income. AIMPAC is a political action committee organization exempt from federal taxes under Section 527 of the IRC. The Financial Accounting Standards Board (FASB) issued guidance that requires tax effects from uncertain tax positions to be recognized in the consolidated financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined that there are no material uncertain positions that require recognition in the consolidated financial statements and, as such, no provision for income taxes is reflected. Additionally, there is no interest or penalties recognized in the consolidated statements of activities or statements of financial position. Aside from the current year, the tax years ended 2011, 2012, 2013 and 2014 are still open to audit for both federal and state purposes.

***Reclassifications***

Certain reclassifications have been made to the 2014 consolidated financial statements to conform to the 2015 presentation.

***New Accounting Pronouncement***

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is currently effective for the Association for calendar year 2019 (early adoption is not permitted). The guidance permits the use of either a retrospective or cumulative effect transition method. The adoption of ASU 2014-09 is not expected to have material impact on the Association's financial statements.

Alzheimer's Association  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2015 and 2014**

**NOTE C - PLEDGES RECEIVABLE**

Pledges receivable, net of estimated uncollectible amounts and discounted to present value, are due to be collected as follows at June 30 (in thousands):

	<u>2015</u>	<u>2014</u>
Less than one year	\$25,382	\$15,720
One to five years	<u>14,032</u>	<u>6,555</u>
Total pledges receivable	39,414	22,275
Less		
Unamortized discount	(773)	(439)
Allowance for uncollectible amounts	<u>(1,236)</u>	<u>(780)</u>
Pledges receivable, net	<u>\$37,405</u>	<u>\$21,056</u>

As of June 30, 2015, discount rates on pledges receivable ranged from 1.66% to 5.15%.

**NOTE D - INVESTMENTS**

The fair value of investments is as follows at June 30 (in thousands):

	<u>2015</u>	<u>2014</u>
Short-term reserves and cash	\$ 300	\$ 1,257
Fixed income funds	23,197	24,845
Equity funds	24,970	27,845
U.S. government agency securities	<u>202</u>	<u>342</u>
Total	<u>\$48,669</u>	<u>\$54,289</u>

Investment fees incurred totaled approximately \$143,000 and \$119,000 at June 30, 2015 and 2014, respectively, which were netted with dividends and interest income.



Alzheimer's Association  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
 June 30, 2015 and 2014

**NOTE E - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following tables summarize assets by fair value hierarchy levels as of June 30 (in thousands):

	2015			Total
	Level 1	Level 2	Level 3	
Fixed income funds	\$23,197	\$ -	\$ -	\$23,197
Equity funds	24,970	-	-	24,970
Assets held in trust - mutual funds	226	-	-	226
U.S. government agency securities	-	202	-	202
Beneficial interest in split-interest agreements	-	-	5,229	5,229
Beneficial interest in perpetual trusts	-	-	<u>16,871</u>	<u>16,871</u>
Total	<u>\$48,393</u>	<u>\$202</u>	<u>\$22,100</u>	<u>\$70,695</u>

  

	2014			Total
	Level 1	Level 2	Level 3	
Fixed income funds	\$24,845	\$ -	\$ -	\$24,845
Equity funds	27,845	-	-	27,845
Assets held in trust - mutual funds	222	-	-	222
U.S. government agency securities	-	342	-	342
Beneficial interest in split-interest agreements	-	-	5,329	5,329
Beneficial interest in perpetual trusts	-	-	<u>14,981</u>	<u>14,981</u>
Total	<u>\$52,912</u>	<u>\$342</u>	<u>\$20,310</u>	<u>\$73,564</u>

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2015 and 2014**

The following table summarizes the changes in fair values associated with Level 3 assets (in thousands):

	Beneficial interest in split-interest agreements	Beneficial interest in perpetual trusts	Total
Balance, June 30, 2013	\$1,498	\$12,999	\$14,497
Additions	3,877	434	4,311
Unrealized gains	251	1,548	1,799
Payments received	(259)	-	(259)
Write-offs	<u>(38)</u>	<u>-</u>	<u>(38)</u>
Balance, June 30, 2014	5,329	14,981	20,310
Additions	314	2,188	2,502
Unrealized gains (losses)	54	(298)	(244)
Payments received	<u>(468)</u>	<u>-</u>	<u>(468)</u>
Balance, June 30, 2015	<u>\$5,229</u>	<u>\$16,871</u>	<u>\$22,100</u>

All net realized and unrealized gains (losses) in the table above are reflected in the accompanying consolidated statements of activities. Net unrealized gains (losses) relate to those investments held by the Association at year-end.

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**NOTE F - NOTES RECEIVABLE**

The Association held notes receivable in the amount of \$26,000 and \$40,000 as of June 30, 2015 and 2014, respectively.

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**NOTE G - DEFERRED COMPENSATION**

Effective September 2006, a 457(f) deferred compensation agreement was entered into with the Association's current chief executive officer. The contract was revised in November 2012. Under the current agreement, the Association provides for deferred compensation of \$150,000 per year. The 457(f) deferred compensation payable is \$300,000 and \$150,000 at June 30, 2015 and 2014, respectively.

The Association maintains 457(b) deferred compensation plans for key employees, which provide that a certain percentage of the key employee's salary be accrued for the benefit of the participant. These plans are provided for currently. The amounts of \$3,000 and \$59,000 due under the plans were accrued and included in deferred compensation payable at June 30, 2015 and 2014, respectively, and the related investments are included in assets held in trust on the accompanying consolidated statements of financial position.

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2015 and 2014**

Deferred compensation payable at June 30, 2015 and 2014, is as follows (in thousands):

	<u>2015</u>	<u>2014</u>
457(f) plan	\$300	\$150
457(b) plans	<u>226</u>	<u>222</u>
Total deferred compensation payable	<u>\$526</u>	<u>\$372</u>

**NOTE H - FIXED ASSETS**

At June 30, 2015 and 2014, fixed assets and the related accumulated depreciation were as follows (in thousands):

	<u>2015</u>	<u>2014</u>
Land and building	\$ 669	\$ 600
Leasehold improvements	4,234	4,234
Equipment and software	15,945	11,860
Furniture and fixtures	<u>1,818</u>	<u>1,768</u>
Total fixed assets	22,666	18,462
Less accumulated depreciation	(15,908)	(14,149)
Equipment not in service	<u>1,209</u>	<u>3,362</u>
Fixed assets, net	<u>\$ 7,967</u>	<u>\$ 7,675</u>

**NOTE I - PERPETUAL TRUSTS AND SPLIT-INTEREST AGREEMENTS**

The Association is a beneficiary of perpetual trusts administered by independent organizations. Under the terms of the trusts, the Association has irrevocable rights to receive portions of the income earned on the trust assets in perpetuity. The Association's beneficial interest in the perpetual trusts, at fair value, totaled approximately \$16,871,000 and \$14,981,000 at June 30, 2015 and 2014, respectively.

The Association is the beneficiary of charitable lead and remainder trust agreements held by independent trustees and the Association. Under the terms of the agreements, the Association has an unconditional right to receive all or a portion of specified cash flows from the agreements. The agreements are valued at fair value based on expected future cash flows and discounted present value at a risk-adjusted rate. As of June 30, 2015 and 2014, the Association applied a discount rate of 2.514% and 2.485%, respectively. The Association's beneficial interest is approximately \$5,229,000 and \$5,329,000 at June 30, 2015 and 2014, respectively.

The Association also has charitable gift annuity arrangements in which donors have contributed assets to the Association in exchange for a promise to pay a fixed amount for a specified period of time back to the donor. Gift annuity obligations represent the present value of future cash flows expected to be paid by the Association

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2015 and 2014**

to the donors under these arrangements. Gift annuity liabilities of approximately \$5,161,000 and \$5,050,000 at June 30, 2015 and 2014, respectively, are reported on the consolidated statements of financial position.

**NOTE J - SELF-INSURANCE RESERVE**

The Association maintains a self-insured program for medical coverage as part of its employee benefits plan. BlueCross BlueShield of Illinois provides claims administration as well as both individual and aggregate stop-loss coverage. Funding for this program is obtained through both employee and employer contributions for medical coverage and through earnings on designated assets held to pay claims. Investments designated by the Association for the insurance program amounted to approximately \$290,000 and \$257,000 as of June 30, 2015 and 2014, respectively, and were included in unrestricted net assets. As of June 30, 2015 and 2014, the actuarially determined liability associated with this program was approximately \$290,000 and \$257,000, respectively, and is reported as a self-insurance reserve in the accompanying consolidated statements of financial position.

**NOTE K - GRANTS PAYABLE**

Grants payable are discounted to present value. Grants payable are due to be disbursed as follows at June 30 (in thousands):

	<u>2015</u>	<u>2014</u>
Less than one year	\$14,828	\$16,348
One to five years	<u>5,598</u>	<u>5,700</u>
Total grants payable	20,426	22,048
Less unamortized discount	<u>(158)</u>	<u>(163)</u>
Grants payable, net	<u>\$20,268</u>	<u>\$21,885</u>

As of June 30, 2015 and 2014, discount rates on grants payable ranged from 2.485% to 2.514% and 1.66% to 2.49%, respectively.

**NOTE L - GIFTS-IN-KIND AND CONTRIBUTED SERVICES**

Gifts-in-kind and contributed services are reflected as expenses, and contributions at their estimated fair value at date of the gift or service. During 2015, the Association received approximately \$3,715,000 in gifts-in-kind and contributed services. Of these non-monetary transactions, the Association recorded services valued at approximately \$3,237,000 as program expense for the medical science research grants review process and the Alzheimer's Association International Conference and gifts-in-kind of approximately \$478,000 as fundraising expenses. During 2014, the Association received approximately \$3,338,000 in gifts-in-kind and contributed

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2015 and 2014**

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services. Of these non-monetary transactions, the Association recorded services valued at approximately \$2,732,000 as program expense for the medical science research grants review process and gifts-in-kind of approximately \$606,000 as fundraising expenses.

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**NOTE M - ALLOCATION OF JOINT COSTS**

For the years ended June 30, 2015 and 2014, the Association incurred expenses of approximately \$14,959,000 and \$14,227,000, respectively, related to the distribution of informational materials that included fundraising appeals. The Association allocated these costs as follows for the years ended June 30 (in thousands):

	<u>2015</u>	<u>2014</u>
Public awareness and education	\$ 9,036	\$ 8,647
Fundraising	3,761	3,536
Management and general	<u>2,162</u>	<u>2,044</u>
Total	<u>\$14,959</u>	<u>\$14,227</u>

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**NOTE N - RETIREMENT PLANS**

The Association has a defined contribution retirement plan covering substantially all of its full-time employees. The Association contributes, at a minimum, an amount equal to 6% of the annual compensation of the plan's participants to the defined contribution plan. The Association also matches 100% of an employee's contribution up to 5% of the employee's annual compensation.

The Association's policy is to fund retirement plan costs as they are accrued. Contribution expense related to the defined contribution plan totaled approximately \$3,232,000 and \$2,849,000 for the years ended June 30, 2015 and 2014, respectively.

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**NOTE O - COMMITMENTS - OPERATING LEASE OBLIGATIONS**

The Association currently has a 15-year operating lease agreement for office space in Chicago, Illinois, that expires on March 31, 2018. This lease agreement includes inducements totaling approximately \$3,166,000 for leasehold improvements. The lease inducements are reflected as deferred rent in the accompanying consolidated statements of financial position and are being amortized on a straight-line basis over the term of the lease agreement.

The Association also has a 10-year operating lease agreement for office space in Washington, D.C., that has been accounted for as an operating lease in the accompanying consolidated financial statements. The current lease is effective from September 1, 2010 through November 30, 2020. The Association has also entered into 47 short-term leases for the National Chapters. The leases range in length from 12 to 82 months and contain

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2015 and 2014**

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provisions for future rent increases that are included in the future minimum lease payments below and are amortized using the straight-line method over the lease terms.

Rental expense under the lease agreements totaled approximately \$2,462,000 and \$2,275,000 for the years ended June 30, 2015 and 2014, respectively.

Operating lease obligations for office equipment, including copiers and mailing systems, are also included in the obligations stated below.

Subsequent to June 30, 2015, the Association entered into additional property rental lease agreements (see note V).

Future rental commitments as of June 30, 2015, for all non-cancelable operating leases are as follows (in thousands):

Years ending June 30,

2016	\$2,488
2017	2,234
2018	1,865
2019	1,009
2020	776
Thereafter	<u>298</u>
Total	<u>\$8,670</u>

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**NOTE P - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at June 30 (in thousands):

	<u>2015</u>	<u>2014</u>
Research	\$41,810	\$28,493
Miscellaneous projects	4,633	2,926
Time restricted	<u>6,342</u>	<u>6,078</u>
Total temporarily restricted net assets	<u>\$52,785</u>	<u>\$37,497</u>

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2015 and 2014**

**NOTE Q - PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are restricted to investment in perpetuity. Permanently restricted net assets were as follows as of June 30 (in thousands):

	<u>2015</u>	<u>2014</u>
John P. Green, Jr. Charitable Foundation Trust	\$ 9,164	\$ 9,354
Evelyn T. Stone Memorial Fund	2,798	2,790
George Graff Perpetual Trust	1,527	1,487
Samuel A. Blank Research Fund	1,263	1,257
C.N. Wodenhouse Hawaii Charities Trust	1,184	-
National Alzheimer's Research Fund Endowment	1,000	1,000
Stephanie Aschemeyer Endowment Fund	897	897
Robert E. Black Memorial Trust	756	-
John Lyman Bogert Memorial Research Fund	750	750
Edward P. and Mary Klein Smith Foundation Trust	642	620
Harold W. and Georgiana Spaght Memorial Fund	601	601
Sandra E. Lamb Charitable Trust	572	554
Mary J. Wickstrom Estate	500	500
Barbara Meyer	500	500
Hindenburg Perpetual Trust	491	488
Alburger Perpetual Trust	474	499
George F. Berlinger Memorial Fund	450	450
I.J. Berkson Research Fund	437	437
Gaedtke Trust	426	449
Edna Curl Endowment Fund	411	411
Ruth Templeton Henney Alzheimer's Research Foundation	361	361
Norman Gotlieb and Bertha Chrystall Gotlieb Fund	345	345
Willis Trust	303	303
Evelyn Schwartz Endowment	278	278
William Edmonson Trust	270	273
Mr. and Mrs. Neil Bluhm Pilot Research Grant Fund	252	252
The Blum-Kovler Foundation Pilot Research Grant Fund	250	250
Arthur and Josephine Lowell Charitable Foundation Trust	221	226
Donald R. McLennan Jr. Research Fund	212	212
Bertis Westfall Charitable Trust	201	213
Ruth Bates Charitable Trust	185	185
Sara & Soloman Hartman Family Charitable Trust	169	169
Sperry Charitable Trust	154	161
David Finkle Pilot Research Grant Fund	153	153
Robert and Marie Leonard	141	141
F. Willam Littlejohn and Amy E. Littlejohn Trust	128	-
Omens/Normand Research Fund	120	120
Marian Burke Research Scholarship Fund	120	120
The Plotkin-Wollin Research Fund	119	119
Helen and Philip Brody Pilot Research Grant Fund	100	100
Plumsock Fund	100	100
Fern Hayes Endowment	100	-
Individual funds less than \$100	<u>422</u>	<u>395</u>
Total	<u>\$29,547</u>	<u>\$27,520</u>

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2015 and 2014**

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**NOTE R - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows for the years ended June 30 (in thousands):

	<u>2015</u>	<u>2014</u>
Purpose restrictions accomplished		
Research	\$24,336	\$20,681
Miscellaneous projects	2,183	1,838
Time restricted	<u>620</u>	<u>389</u>
Total net assets released from restrictions	<u>\$27,139</u>	<u>\$22,908</u>

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**NOTE S - ENDOWMENT NET ASSETS**

Permanently restricted net assets are restricted as investments in perpetuity. The Association's endowment only consists of donor-restricted endowment funds. Net assets associated with the Association's endowment funds are classified and reported based on the existence of donor-imposed restrictions. Donors restrict the earnings of some of the Association's endowment funds to fund the Association's research program. In accordance with donor stipulations, the income generated from these assets is restricted for research (approximately 51%) or not purpose restricted (approximately 49%).

The Association accounts for endowment net assets by preserving the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, the Association classifies as permanently restricted net assets: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment fund. The Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Association and the donor-restricted endowment fund.
- General economic conditions.
- The possible effects of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Association.
- The investment policies of the Association.

The Association has adopted an investment policy that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As of June 30, 2015, endowment assets only include those assets of donor-restricted funds that the Association must hold in perpetuity, as the Association does not have any board-designated endowment funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to provide adequate liquidity, maximizing returns on all funds invested and achieving full employment of all available funds as earning assets. The Association has an active finance committee and



**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2015 and 2014**

investment sub-committee that meets regularly to ensure that the objectives of the investment policy are met, and that the strategies used to meet the objectives are in accordance with the investment policy. The Association's policy is to appropriate spending amounts deemed prudent for donor-restricted funds.

Changes in endowment net assets for the fiscal years ended June 30, 2015 and 2014, are as follows (in thousands):

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2013	\$ -	\$ 741	\$11,914	\$12,655
New gifts	-	-	1,060	1,060
Dividends and interest	-	433	-	433
Net appreciation (realized and unrealized)	-	1,529	-	1,529
Appropriation	<u>-</u>	<u>(1,962)</u>	<u>-</u>	<u>(1,962)</u>
Endowment net assets, June 30, 2014	-	741	12,974	13,715
New gifts	-	-	122	122
Dividends and interest	-	538	-	538
Net depreciation (realized and unrealized)	-	(146)	-	(146)
Appropriation	<u>-</u>	<u>(538)</u>	<u>-</u>	<u>(538)</u>
Endowment net assets, June 30, 2015	<u>\$ -</u>	<u>\$ 595</u>	<u>\$13,096</u>	<u>\$13,691</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or state law requires the Association to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. There was no deficiency as of June 30, 2015 and 2014.

**NOTE T - CONCENTRATION OF CREDIT RISK**

Certain financial instruments subject the Association to credit risk. Those financial instruments consist primarily of cash, accounts receivable, beneficial interest in split-interest agreements and investments. The Association maintains its cash balance in financial institutions, which at times may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. Concentration of credit risk with respect to receivables is limited due to the large number of accounts and low average cash balance. Concentration of credit risk with respect to the beneficial interest in split-interest agreements is limited through the diversification of the trust assets. The Association's investment policy also stipulates appropriate diversification of investment balances. As of June 30, 2015 and 2014, the Association had no significant concentration of credit risk in investments.

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2015 and 2014**

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**NOTE U - ACQUIRED NET ASSETS**

The Association acquired two chapters during fiscal year 2015 as a result of chapter dissolution. No consideration was provided as a result of the transaction.

For fiscal year 2015, the following table summarizes the estimated fair values of the assets and liabilities at the acquisition date (in thousands):

Cash	\$ 424
Accounts receivable	122
Investments	91
Prepaid expenses	13
Fixed assets, net	70
Beneficial interest in split-interest agreements	281
Beneficial interest in perpetual trusts	<u>2,187</u>
Total identifiable assets acquired	3,188
Accounts payable	(105)
Accrued expenses	<u>(47)</u>
Net assets acquired	<u>\$3,036</u>

As a result, the net value is recorded as an acquisition of dissolved chapters during fiscal year 2015 in the consolidated statement of activities.

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**NOTE V - SUBSEQUENT EVENTS**

The Association evaluated its June 30, 2015, consolidated financial statements for subsequent events through October 19, 2015, the date the consolidated financial statements were available to be issued. The Association is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements, with the exception of the following events:

Effective July 1, 2015, the Association acquired one additional chapter for no consideration, which became a National Chapter. The fair value estimate of the assets and liabilities acquired is not yet completed. In relation to the acquisition, the Association entered into two property rental lease agreements for the new National Chapter. The future additional rental commitments are as follows (in thousands):

Years ending June 30,

2016	\$ 51
2017	49
2018	50
2019	<u>57</u>
Total	<u>\$207</u>

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2015 and 2014**

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On October 17, 2015, the Association's Board of Directors approved reorganizing the local chapters and the Association to operate as a single entity and will begin the process of consolidating the local chapters with the Association. As the chapters are consolidated, they will be included in the scope of the Association's financial statements.

SUPPLEMENTARY INFORMATION

Alzheimer's Association  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**June 30, 2015**  
(In thousands)

<b>ASSETS</b>	Alzheimer's Association	AIM	AIMPAC	Eliminations	Consolidated
Cash	\$ 38,703	\$ 184	\$ 64	\$ -	\$ 38,951
Pledges receivable, net	37,405	-	-	-	37,405
Receivables - Chapters, net	19,376	-	-	-	19,376
Other receivables	1,329	45	-	(11)	1,363
Notes receivable	26	-	-	-	26
Inventories of education materials, at cost	505	-	-	-	505
Investments	48,669	-	-	-	48,669
Prepaid expenses	4,684	10	-	-	4,694
Assets held in trust	226	-	-	-	226
Fixed assets, net	7,967	-	-	-	7,967
Beneficial interest in split-interest agreements	5,229	-	-	-	5,229
Beneficial interest in perpetual trusts	16,871	-	-	-	16,871
<b>TOTAL ASSETS</b>	<b>\$ 180,990</b>	<b>\$ 239</b>	<b>\$ 64</b>	<b>\$ (11)</b>	<b>\$ 181,282</b>
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities					
Accounts payable	\$ 1,111	\$ 17	\$ -	\$ -	\$ 1,128
Grants payable, net	20,268	-	-	-	20,268
Deferred compensation payable	526	-	-	-	526
Accrued expenses	10,944	20	-	(11)	10,953
Self-insurance reserve	290	-	-	-	290
Accounts payable - Chapters	14,563	-	-	-	14,563
Gift annuity obligations	5,161	-	-	-	5,161
Deferred revenue	2,415	-	-	-	2,415
Deferred rent	1,361	-	-	-	1,361
Total liabilities	56,639	37	-	(11)	56,665
Net assets					
Unrestricted	42,019	202	64	-	42,285
Temporarily restricted	52,785	-	-	-	52,785
Permanently restricted	29,547	-	-	-	29,547
Total net assets	124,351	202	64	-	124,617
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 180,990</b>	<b>\$ 239</b>	<b>\$ 64</b>	<b>\$ (11)</b>	<b>\$ 181,282</b>

**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2015**  
(In thousands)

	Alzheimer's Association				Unrestricted			Consolidated
	Unrestricted	Temporarily restricted	Permanently restricted	Total	AIM	AIMPAC	Eliminations	
Revenues, gains and other support								
Contributions	\$ 96,903	\$ 41,513	\$ 38	\$ 138,454	\$ 1,296	\$ 153	\$ (1,087)	\$ 138,816
Less contributions remitted to Chapters	(36,640)	-	-	(36,640)	-	-	-	(36,640)
Add amounts received from Chapters under shared fundraising	49,205	-	-	49,205	-	-	-	49,205
Net contribution revenues	109,468	41,513	38	151,019	1,296	153	(1,087)	151,381
Book sales and other	12,129	-	-	12,129	-	-	-	12,129
Dividends and interest	1,787	1,031	-	2,818	-	-	-	2,818
Net assets released from restrictions	27,139	(27,139)	-	-	-	-	-	-
Total revenues, gains and other support	150,523	15,405	38	165,966	1,296	153	(1,087)	166,328
Expenses								
Program services								
Research	32,535	-	-	32,535	-	-	-	32,535
Public awareness and education	40,662	-	-	40,662	-	-	-	40,662
Chapter services	11,035	-	-	11,035	-	-	-	11,035
Public policy	7,986	-	-	7,986	1,309	176	(1,087)	8,384
Family and health care professional services	22,470	-	-	22,470	-	-	-	22,470
Total program services	114,688	-	-	114,688	1,309	176	(1,087)	115,086
Supporting services								
Management and general	9,675	-	-	9,675	10	-	-	9,685
Fundraising	22,990	-	-	22,990	-	-	-	22,990
Total supporting services	32,665	-	-	32,665	10	-	-	32,675
Total expenses	147,353	-	-	147,353	1,319	176	(1,087)	147,761
Excess (deficiency) from operations	3,170	15,405	38	18,613	(23)	(23)	-	18,567
Other changes in net assets								
Net realized and unrealized losses in value of investments	(664)	(146)	-	(810)	-	-	-	(810)
Change in value of split-interest agreements	(234)	(256)	-	(490)	-	-	-	(490)
Change in value of perpetual trusts	-	-	(298)	(298)	-	-	-	(298)
Acquisition of dissolved chapters	464	285	2,287	3,036	-	-	-	3,036
Bad debt expense	(405)	-	-	(405)	-	-	-	(405)
Total other changes in net assets	(839)	(117)	1,989	1,033	-	-	-	1,033
<b>CHANGE IN NET ASSETS</b>	2,331	15,288	2,027	19,646	(23)	(23)	-	19,600
Net assets at beginning of year	39,688	37,497	27,520	104,705	225	87	-	105,017
Net assets at end of year	\$ 42,019	\$ 52,785	\$ 29,547	\$ 124,351	\$ 202	\$ 64	\$ -	\$ 124,617