



**Consolidated Financial Statements and Report of  
Independent Certified Public Accountants**

**Alzheimer's Association**

**June 30, 2016 and 2015**

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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, 2016 and 2015, 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, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance 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, 2016, and consolidating statement of activities for the year ended June 30, 2016, 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 consolidated 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 supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



Chicago, Illinois  
October 27, 2016

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

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
Cash	\$ 38,598	\$ 38,951
Pledges receivable, net	29,611	37,405
Receivables - Chapters, net	19,572	19,376
Other receivables	2,336	1,363
Notes receivable	266	26
Inventories of education materials, at cost	880	505
Investments	71,219	48,669
Prepaid expenses	4,047	4,694
Assets held in trust	204	226
Fixed assets, net	9,070	7,967
Beneficial interest in split-interest agreements	5,558	5,229
Beneficial interest in perpetual trusts	16,178	16,871
<b>TOTAL ASSETS</b>	<b><u>\$197,539</u></b>	<b><u>\$181,282</u></b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts payable	\$ 2,742	\$ 1,128
Grants payable, net	28,987	20,268
Deferred compensation payable	654	526
Accrued expenses	9,904	10,953
Self-insurance reserve	293	290
Accounts payable - Chapters	14,635	14,563
Gift annuity obligations	4,633	5,161
Deferred revenue	2,528	2,415
Deferred rent	1,042	1,361
Total liabilities	<u>65,418</u>	<u>56,665</u>
<b>Net assets</b>		
Unrestricted	43,887	42,285
Temporarily restricted	58,853	52,785
Permanently restricted	29,381	29,547
Total net assets	<u>132,121</u>	<u>124,617</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$197,539</u></b>	<b><u>\$181,282</u></b>

The accompanying notes are an integral part of these statements.

**Alzheimer's Association**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2016, with comparative totals for 2015**  
**(In thousands)**

	2016			2015 total*
	Unrestricted	Temporarily restricted	Permanently restricted	
Revenues, gains and other support				
Contributions	\$ 107,454	\$ 40,651	\$ 527	\$148,632
Less contributions remitted to Chapters	(34,788)	-	-	(34,788)
Add amounts received from Chapters under shared fundraising	47,909	-	-	47,909
Net contribution revenues	120,575	40,651	527	161,753
Conference registration, contributed services and other	13,083	-	-	13,083
Dividends and interest	1,900	1,108	-	3,008
Net assets released from restrictions	36,427	(36,427)	-	-
Total revenues, gains and other support	171,985	5,332	527	177,844
Expenses				
Program services				
Research	40,483	-	-	40,483
Public awareness and education	44,664	-	-	44,664
Chapter services	13,224	-	-	13,224
Public policy	9,037	-	-	9,037
Family and health care professional services	26,234	-	-	26,234
Total program services	133,642	-	-	133,642
Supporting services				
Management and general	11,238	-	-	11,238
Fundraising	25,315	-	-	25,315
Total supporting services	36,553	-	-	36,553
Total expenses	170,195	-	-	170,195
Excess from operations	1,790	5,332	527	7,649
Other changes in net assets				
Net realized and unrealized (losses) gains in value of investments	(16)	31	-	15
Change in value of split-interest agreements	(247)	(327)	-	(574)
Change in value of perpetual trusts	-	-	(693)	(693)
Acquisition of dissolved chapters	542	1,032	-	1,574
Bad debt expense	(467)	-	-	(467)
Total other changes in net assets	(188)	736	(693)	(145)
<b>CHANGE IN NET ASSETS</b>	1,602	6,068	(166)	7,504
Net assets at beginning of year	42,285	52,785	29,547	124,617
Net assets at end of year	\$ 43,887	\$ 58,853	\$ 29,381	\$124,617

\*See complete 2015 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, 2015**  
**(In thousands)**

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support				
Contributions	\$ 97,265	\$ 41,513	\$ 38	\$138,816
Less contributions remitted to Chapters	(36,640)	-	-	(36,640)
Add amounts received from Chapters under shared fundraising	49,205	-	-	49,205
Net contribution revenues	109,830	41,513	38	151,381
Conference registration, contributed services and other	12,129	-	-	12,129
Dividends and interest	1,787	1,031	-	2,818
Net assets released from restrictions	27,139	(27,139)	-	-
Total revenues, gains and other support	150,885	15,405	38	166,328
Expenses				
Program services				
Research	32,535	-	-	32,535
Public awareness and education	40,662	-	-	40,662
Chapter services	11,035	-	-	11,035
Public policy	8,384	-	-	8,384
Family and health care professional services	22,470	-	-	22,470
Total program services	115,086	-	-	115,086
Supporting services				
Management and general	9,685	-	-	9,685
Fundraising	22,990	-	-	22,990
Total supporting services	32,675	-	-	32,675
Total expenses	147,761	-	-	147,761
Excess from operations	3,124	15,405	38	18,567
Other changes in net assets				
Net realized and unrealized losses in value of investments	(664)	(146)	-	(810)
Change in value of split-interest agreements	(234)	(256)	-	(490)
Change in value of perpetual trusts	-	-	(298)	(298)
Acquisition of dissolved chapters	464	285	2,287	3,036
Bad debt expense	(405)	-	-	(405)
Total other changes in net assets	(839)	(117)	1,989	1,033
<b>CHANGE IN NET ASSETS</b>	<b>2,285</b>	<b>15,288</b>	<b>2,027</b>	<b>19,600</b>
Net assets at beginning of year	40,000	37,497	27,520	105,017
Net assets at end of year	<u>\$ 42,285</u>	<u>\$ 52,785</u>	<u>\$ 29,547</u>	<u>\$124,617</u>

The accompanying notes are an integral part of this statement.

Alzheimer's Association  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year ended June 30, 2016  
(In thousands)

	Program services					Supporting services			Total all expenses	
	Research	Public awareness and education	Chapter services	Public policy	Family and healthcare professional services	Total	Management and general	Fundraising		Total
Salaries and related benefits	\$ 3,949	\$ 10,466	\$ 7,658	\$ 3,664	\$ 15,352	\$ 41,089	\$ 3,938	\$ 11,531	\$ 15,469	\$ 56,558
Grants and funded research	24,723	-	736	1,677	585	27,721	-	-	-	27,721
Professional fees and consultants	2,682	5,383	810	1,126	3,826	13,827	1,568	4,367	5,935	19,762
Telephone, postage and supplies	247	4,562	320	183	713	6,025	1,847	2,139	3,986	10,011
Occupancy	667	1,178	528	603	2,566	5,542	1,002	1,108	2,110	7,652
Conferences and meetings	2,856	1,422	1,553	1,040	1,547	8,418	442	1,968	2,410	10,828
Printing and promotions	1,794	20,519	424	522	1,115	24,374	1,556	3,512	5,068	29,442
Miscellaneous	3,510	996	75	158	220	4,959	751	482	1,233	6,192
Total expenses before depreciation	40,428	44,526	12,104	8,973	25,924	131,955	11,104	25,107	36,211	168,166
Depreciation	55	138	1,120	64	310	1,687	134	208	342	2,029
Total expenses	<u>\$ 40,483</u>	<u>\$ 44,664</u>	<u>\$ 13,224</u>	<u>\$ 9,037</u>	<u>\$ 26,234</u>	<u>\$ 133,642</u>	<u>\$ 11,238</u>	<u>\$ 25,315</u>	<u>\$ 36,553</u>	<u>\$ 170,195</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 healthcare 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 STATEMENTS OF CASH FLOWS**  
**Years ended June 30,**  
**(In thousands)**

	<u>2016</u>	<u>2015</u>
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ 7,504	\$ 19,600
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,029	1,774
Net realized and unrealized (gains) losses in value of investments	(15)	810
Cash received from acquired chapters	(582)	(424)
Decrease (increase) in pledges, chapter receivables, other receivables and notes receivable	6,385	(13,935)
Decrease (increase) in inventories and prepaid expenses	272	(146)
Increase in payables, accrued expenses and chapter obligations	9,487	719
Increase (decrease) in deferred revenue	113	(768)
Decrease in deferred rent	(319)	(321)
(Increase) decrease in beneficial interest in split-interest agreements	(329)	100
Change in value of perpetual trusts	693	(1,890)
(Decrease) increase in gift annuity obligations	(528)	111
Contributions restricted for long-term investment	(527)	(38)
Net cash provided by operating activities	<u>24,183</u>	<u>5,592</u>
Cash flows from investing activities		
Purchase of fixed assets	(3,132)	(2,066)
Proceeds from sale of investments	14,429	22,934
Purchases of investments	(37,480)	(16,857)
Cash received from acquired chapters	582	424
Net cash (used in) provided by investing activities	<u>(25,601)</u>	<u>4,435</u>
Cash flows from financing activities		
Proceeds from contributions restricted for Long-term investment	527	38
Investment subject to annuity agreement	805	897
Payment of annuity obligations	(267)	(2,168)
Net cash provided by (used in) financing activities	<u>1,065</u>	<u>(1,233)</u>
<b>NET CHANGE IN CASH</b>	<b>(353)</b>	<b>8,794</b>
Cash at beginning of year	<u>38,951</u>	<u>30,157</u>
Cash at end of year	<u><u>\$ 38,598</u></u>	<u><u>\$ 38,951</u></u>

The accompanying notes are an integral part of these statements.

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

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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.

In addition, the Association oversees the operations and activities for 34 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 \$50,000,000 and expenses of more than \$25,000,000 for the year ended June 30, 2016, and revenues of approximately \$35,000,000 and expenses of approximately \$21,000,000 for the year ended June 30, 2015.

There were 47 local chapters supported by the Association as of June 30, 2016. The accounts and operations of the local chapters are appropriately not included in the Association's consolidated financial statements. One chapter dissolved with their operations and staff becoming part of the national organization on July 1, 2015.

**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.

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

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2016 and 2015**

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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 - Assets that have little to no pricing observability as of the report date. These assets 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 fair value of the investments and beneficial interest in the split-interest agreements and perpetual trusts and, therefore, the Association's results of operations.

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2016 and 2015**

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***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.

***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, 2016 and 2015. 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 \$14,013,000 and \$16,592,000 for the years ended June 30, 2016 and 2015, respectively.

***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. AIM PAC is a political action committee organization exempt from federal taxes under Section 527 of the IRC. The ALZ Disease and Related Disorders Association of Canada, Inc. is a not-for-profit Canadian entity incorporated on June 4, 2015. The application for charitable status is still pending in Canada; therefore, this entity does not yet have a tax exemption.

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

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2016 and 2015**

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to be sustained if the position were to be challenged by a taxing authority. Management has determined 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 2012, 2013, 2014 and 2015 are still open to audit for both federal and state purposes.

***New Accounting Pronouncements***

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09) as a new topic, Accounting Standards Codification (ASC) *Topic 606*. The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the new standard, companies will perform a five-step analysis of transactions to determine when and how revenue is recognized. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB ASC. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 by one year. This ASU is effective for the Association in fiscal year 2020 and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is not permitted. The Association is currently evaluating the new guidance and has not determined the impact this standard may have on the consolidated financial statements nor decided upon the method of adoption.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Association in fiscal year 2021. Early adoption is permitted. The Association is currently evaluating the new guidance and has not determined the impact this standard may have on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment return, and cash flows. The guidance replaces the three classes of net assets currently presented on the statements of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. The ASU includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires an NFP to present expenses by both their natural and functional classification in a single location in the financial statements. ASU 2016-14 is effective for the Association in fiscal year 2019. Early adoption is permitted and entities are required to adopt the guidance retrospectively, but if comparative financial statements are presented, they have the option to omit certain information for any periods presented that are prior to the period of adoption. The Association is currently evaluating the new guidance and has not determined the impact this standard may have on the consolidated financial statements.

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2016 and 2015**

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**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>2016</u>	<u>2015</u>
Less than one year	\$21,777	\$25,382
One to five years	8,850	14,032
Over five years	<u>500</u>	<u>-</u>
Total pledges receivable	31,127	39,414
Less		
Unamortized discount	(551)	(773)
Allowance for uncollectible amount	<u>(965)</u>	<u>(1,236)</u>
Pledges receivable, net	<u>\$29,611</u>	<u>\$37,405</u>

As of June 30, 2016 and 2015, discount rates on pledges receivable ranged from 2.34% to 5.15% and 1.66% to 5.15%, respectively.

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**NOTE D - INVESTMENTS**

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

	<u>2016</u>	<u>2015</u>
Short-term reserves and cash	\$ 328	\$ 300
Fixed income funds	33,931	23,197
Equity funds	36,782	24,970
U.S. government agency securities	<u>178</u>	<u>202</u>
Total	<u>\$71,219</u>	<u>\$48,669</u>

Investment fees incurred totaled approximately \$139,000 and \$143,000 at June 30, 2016 and 2015, respectively, which were netted with dividends and interest income.



**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2016 and 2015**

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

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

	2016			Total
	Level 1	Level 2	Level 3	
Fixed income funds	\$33,931	\$ -	\$ -	\$33,931
Equity funds	36,782	-	-	36,782
Assets held in trust - mutual funds	204	-	-	204
U.S. government agency securities	-	178	-	178
Beneficial interest in split-interest agreements	-	-	5,558	5,558
Beneficial interest in perpetual trusts	-	-	<u>16,178</u>	<u>16,178</u>
Total	<u>\$70,917</u>	<u>\$178</u>	<u>\$21,736</u>	<u>\$92,831</u>

	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>

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

	Beneficial interest in split-interests agreements	Beneficial interest in perpetual trusts	Total
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>(468)</u>
Balance, June 30, 2015	5,229	16,871	22,100
Additions	956	-	956
Unrealized losses	(25)	(693)	(718)
Payments received	<u>(602)</u>	-	<u>(602)</u>
Balance, June 30, 2016	<u>\$5,558</u>	<u>\$16,178</u>	<u>\$21,736</u>

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2016 and 2015**

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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 \$266,000 and \$26,000 as of June 30, 2016 and 2015, 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 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 \$(22,000) and \$3,000 due under the plans were accrued and included in deferred compensation payable at June 30, 2016 and 2015, respectively, and the related investments are included in assets held in trust on the accompanying consolidated statements of financial position.

Deferred compensation payables at June 30, 2016 and 2015, are as follows (in thousands):

	<u>2016</u>	<u>2015</u>
457(f) plan	\$450	\$300
457(b) plans	<u>204</u>	<u>226</u>
Deferred compensation payable	<u>\$654</u>	<u>\$526</u>

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2016 and 2015**

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**NOTE H - FIXED ASSETS**

At June 30, 2016 and 2015, fixed assets and the related accumulated depreciation were as follows (in thousands):

	<u>2016</u>	<u>2015</u>
Land and building	\$ 600	\$ 669
Leasehold improvements	4,262	4,234
Equipment and software	18,372	15,945
Furniture and fixtures	<u>1,973</u>	<u>1,818</u>
Total fixed assets	25,207	22,666
Less accumulated depreciation	(17,937)	(15,908)
Equipment not in service	<u>1,800</u>	<u>1,209</u>
Fixed assets, net	<u>\$ 9,070</u>	<u>\$ 7,967</u>

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**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 \$16,178,000 and \$16,871,000 at June 30, 2016 and 2015, 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, 2016 and 2015, the Association applied a discount rate of 2.335% and 2.514%, respectively. The Association's beneficial interest is approximately \$5,558,000 and \$5,229,000 at June 30, 2016 and 2015, 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 to the donors under these arrangements. Gift annuity liabilities of approximately \$4,633,000 and \$5,161,000 at June 30, 2016 and 2015, respectively, are reported on the consolidated statements of financial position. The required reserves of approximately \$5,420,000 and \$5,981,000 at June 30, 2016 and 2015, respectively, have been segregated in separate accounts, the use of which is limited to meeting the gift annuity obligations.

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**NOTE J - SELF-INSURANCE RESERVE**

The Association maintains a self-insured program for medical coverage as part of its employee benefits plan. Blue Cross Blue Shield of Illinois provides claims administration as well as both individual and aggregate stop-

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2016 and 2015**

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 \$293,000 and \$290,000 as of June 30, 2016 and 2015, respectively, and were included in unrestricted net assets. As of June 30, 2016 and 2015, the actuarially determined liability associated with this program was approximately \$293,000 and \$290,000, respectively, and is determined as an estimated liability for self-insured claims in the accompanying consolidated statements of financial position.

**NOTE K - GRANTS PAYABLE**

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

	<u>2016</u>	<u>2015</u>
Less than one year	\$20,737	\$14,828
One to five years	<u>8,510</u>	<u>5,598</u>
Total grants payable	29,247	20,426
Less unamortized discount	<u>(260)</u>	<u>(158)</u>
Grants payable, net	<u>\$28,987</u>	<u>\$20,268</u>

As of June 30, 2016 and 2015, discount rates on grants payable ranged from 2.335% to 2.514% and 2.485% to 2.514%, 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 2016, the Association received approximately \$3,806,000 in gifts-in-kind and contributed services. Of these non-monetary transactions, the Association recorded services valued at approximately \$3,306,000 as program expense for the medical science research grants review process and the Alzheimer's Association International Conference and gifts-in-kind of approximately \$500,000 as fundraising expenses. 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 gifts-in-kind of approximately \$478,000 as fundraising expenses.

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2016 and 2015**

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**NOTE M - ALLOCATION OF JOINT COSTS**

For the years ended June 30, 2016 and 2015, the Association incurred expenses of approximately \$15,232,000 and \$14,959,000, 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>2016</u>	<u>2015</u>
Public awareness and education	\$ 9,007	\$ 9,036
Fundraising	3,857	3,761
Management and general	<u>2,368</u>	<u>2,162</u>
Total	<u>\$15,232</u>	<u>\$14,959</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 \$3,691,000 and \$3,232,000 for the years ended June 30, 2016 and 2015, 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 September 1, 2010 through November 30, 2020. The Association has also entered into 57 short-term leases for the National Chapters. The leases range in length from 12 to 84 months and contain 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 \$2,796,000 and \$2,462,000 for the years ended June 30, 2016 and 2015, respectively.

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2016 and 2015**

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Future rental commitments as of June 30, 2016, for all non-cancelable operating leases are as follows (in thousands):

Years ending June 30.

2017	\$2,808
2018	2,349
2019	1,437
2020	1,098
2021	497
Thereafter	<u>149</u>
Total	<u>\$8,338</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>2016</u>	<u>2015</u>
Research	\$45,439	\$41,810
Miscellaneous projects	7,043	4,633
Time restricted	<u>6,371</u>	<u>6,342</u>
Total temporarily restricted net assets	<u>\$58,853</u>	<u>\$52,785</u>

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2016 and 2015**

**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>2016</u>	<u>2015</u>
John P. Green, Jr. Charitable Foundation Trust	\$ 8,795	\$ 9,164
Evelyn T. Stone Memorial Fund	2,816	2,798
George Graff Perpetual Trust	1,455	1,527
Samuel A. Blank Research Fund	1,263	1,263
C.N. Wodenhouse Hawaii Charities Trust	1,176	1,184
Barbara Meyer Endowment	1,003	500
National Alzheimer's Research Fund Endowment	1,000	1,000
Stephanie Aschemeyer Endowment Fund	897	897
John Lyman Bogert Memorial Research Fund	750	750
Robert E. Black Memorial Trust	722	756
Edward P. and Mary Klein Smith Foundation Trust	607	642
Harold W. and Georgiana Spaght Memorial Fund	601	601
Sandra E. Lamb Charitable Trust	573	572
Mary J. Wickstrom Estate	500	500
Hindenburg Perpetual Trust	491	491
George F. Berlinger Memorial Fund	450	450
Alburger Perpetual Trust	445	474
I.J. Berkson Research Fund	437	437
Edna Curl Endowment Fund	411	411
Gaedtke Trust	394	426
Ruth Templeton Henney Alzheimer's Research Foundation	361	361
Norman Gotlieb and Bertha Chrystall Gotlieb Fund	345	345
Willis Trust	283	303
Evelyn Schwartz Endowment	278	278
Mr. and Mrs. Neil Bluhm Pilot Research Grant Fund	252	252
The Blum-Kovler Foundation Pilot Research Grant Fund	250	250
William Edmonson Trust	240	270
Donald R. McLennan Jr. Research Fund	212	212
Arthur and Josephine Lowell Charitable Foundation Trust	204	221
Bertis Westfall Charitable Trust	179	201
Ruth Bates Charitable Trust	178	185
Sara & Soloman Hartman Family Charitable Trust	169	169
David Finkle Pilot Research Grant Fund	153	153
Robert and Marie Leonard Endowment	141	141
Sperry Charitable Trust	138	154
F. Willam Littlejohn and Amy E. Littlejohn Trust	128	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	100
Individual funds less than \$100	<u>425</u>	<u>422</u>
Total	<u>\$29,381</u>	<u>\$29,547</u>

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2016 and 2015**

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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>2016</u>	<u>2015</u>
Purpose restrictions accomplished		
Research	\$31,409	\$24,336
Miscellaneous projects	3,784	2,183
Time restricted	<u>1,234</u>	<u>620</u>
 Total net assets released from restrictions	 <u>\$36,427</u>	 <u>\$27,139</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, 2016, 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 investment sub-committee that meets regularly to ensure that the objectives of the investment policy are met,



**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2016 and 2015**

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, 2016 and 2015, are as follows (in thousands):

	Unrestricted	Temporarily restricted	Permanently restricted	Total
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	-	595	13,096	13,691
New gifts	-	-	26	26
Dividends and interest	-	517	-	517
Net appreciation (realized and unrealized)	-	29	-	29
Appropriation	<u>-</u>	<u>(546)</u>	<u>-</u>	<u>(546)</u>
Endowment net assets, June 30, 2016	<u>\$ -</u>	<u>\$ 595</u>	<u>\$13,122</u>	<u>\$13,717</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, 2016 and 2015.

**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, 2016 and 2015, the Association had no significant concentration of credit risk in investments.

**Alzheimer's Association**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2016 and 2015**

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**NOTE U - ACQUIRED NET ASSETS**

The Association acquired one chapter during fiscal year 2016 as a result of chapter dissolution. No consideration was provided as a result of the transaction.

For fiscal year 2016, the following table summarizes the estimated fair values of the assets and liabilities at the acquisition date (in thousands):

Cash	\$ 582
Accounts receivable	56
Prepaid expenses	14
Fixed assets, net	5
Beneficial interest in split-interest agreements	<u>956</u>
Total identifiable assets acquired	1,613
Accrued expenses	(32)
Deferred rent	<u>(7)</u>
Net assets acquired	<u>\$1,574</u>

As a result, the net value is recorded as an acquisition of dissolved chapters during fiscal year 2016 in the consolidated statements of activities.

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**NOTE V - SUBSEQUENT EVENTS**

The Association evaluated its June 30, 2016, consolidated financial statements for subsequent events through October 27, 2016, 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 event:

Effective July 1, 2016, the Association combined with the remaining 47 local chapters to create a united Alzheimer's Association. Total assets from the 47 chapters are approximately \$157,000,000 and net assets are approximately \$135,000,000.

**SUPPLEMENTARY INFORMATION**

**Alzheimer's Association**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**June 30, 2016**  
**(In thousands)**

<b>ASSETS</b>	Alzheimer's Association	AIM	AIMPAC	Canada	Eliminations	Consolidated
Cash	\$ 38,331	\$ 210	\$ 57	\$ -	\$ -	\$ 38,598
Pledges receivable, net	29,611	-	-	-	-	29,611
Receivables - Chapters, net	19,572	-	-	-	-	19,572
Other receivables	2,327	51	-	-	(42)	2,336
Notes receivable	266	-	-	-	-	266
Inventories of education materials, at cost	880	-	-	-	-	880
Investments	71,219	-	-	-	-	71,219
Prepaid expenses	4,036	11	-	-	-	4,047
Assets held in trust	204	-	-	-	-	204
Fixed assets, net	9,060	-	-	10	-	9,070
Beneficial interest in split-interest agreements	5,558	-	-	-	-	5,558
Beneficial interest in perpetual trusts	16,178	-	-	-	-	16,178
<b>TOTAL ASSETS</b>	<b>\$ 197,242</b>	<b>\$ 272</b>	<b>\$ 57</b>	<b>\$ 10</b>	<b>\$ (42)</b>	<b>\$ 197,539</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts payable	\$ 2,741	\$ 1	\$ -	\$ 12	\$ (12)	\$ 2,742
Grants payable, net	28,987	-	-	-	-	28,987
Deferred compensation payable	654	-	-	-	-	654
Accrued expenses	9,899	35	-	-	(30)	9,904
Self-insurance reserve	293	-	-	-	-	293
Accounts payable - Chapters	14,635	-	-	-	-	14,635
Gift annuity obligations	4,633	-	-	-	-	4,633
Deferred revenue	2,528	-	-	-	-	2,528
Deferred rent	1,042	-	-	-	-	1,042
<b>Total liabilities</b>	<b>65,412</b>	<b>36</b>	<b>-</b>	<b>12</b>	<b>(42)</b>	<b>65,418</b>
<b>Net assets</b>						
Unrestricted	43,596	236	57	(2)	-	43,887
Temporarily restricted	58,853	-	-	-	-	58,853
Permanently restricted	29,381	-	-	-	-	29,381
<b>Total net assets</b>	<b>131,830</b>	<b>236</b>	<b>57</b>	<b>(2)</b>	<b>-</b>	<b>132,121</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 197,242</b>	<b>\$ 272</b>	<b>\$ 57</b>	<b>\$ 10</b>	<b>\$ (42)</b>	<b>\$ 197,539</b>

**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2016**  
(In thousands)

	Alzheimer's Association				Unrestricted				Consolidated
	Unrestricted	Temporarily restricted	Permanently restricted	Total	AIM	AIMPAC	Canada	Eliminations	
<b>Revenues, gains and other support</b>									
Contributions	\$ 107,032	\$ 40,651	\$ 527	\$ 148,210	\$ 1,816	\$ 127	\$ -	\$ (1,521)	\$ 148,632
Less contributions remitted to Chapters	(34,788)	-	-	(34,788)	-	-	-	-	(34,788)
Add amounts received from Chapters under shared fundraising	47,909	-	-	47,909	-	-	-	-	47,909
<b>Net contribution revenues</b>	<b>120,153</b>	<b>40,651</b>	<b>527</b>	<b>161,331</b>	<b>1,816</b>	<b>127</b>	<b>-</b>	<b>(1,521)</b>	<b>161,753</b>
Conference registration, contributed services and other	13,083	-	-	13,083	-	-	-	-	13,083
Dividends and interest	1,900	1,108	-	3,008	-	-	-	-	3,008
Net assets released from restrictions	36,427	(36,427)	-	-	-	-	-	-	-
<b>Total revenues, gains and other support</b>	<b>171,563</b>	<b>5,332</b>	<b>527</b>	<b>177,422</b>	<b>1,816</b>	<b>127</b>	<b>-</b>	<b>(1,521)</b>	<b>177,844</b>
<b>Expenses</b>									
Program services									
Research	40,483	-	-	40,483	-	-	-	-	40,483
Public awareness and education	44,664	-	-	44,664	-	-	-	-	44,664
Chapter services	13,224	-	-	13,224	-	-	-	-	13,224
Public policy	8,652	-	-	8,652	1,772	134	-	(1,521)	9,037
Family and healthcare professional services	26,234	-	-	26,234	-	-	-	-	26,234
<b>Total program services</b>	<b>133,257</b>	<b>-</b>	<b>-</b>	<b>133,257</b>	<b>1,772</b>	<b>134</b>	<b>-</b>	<b>(1,521)</b>	<b>133,642</b>
Supporting services									
Management and general	11,226	-	-	11,226	10	-	2	-	11,238
Fundraising	25,315	-	-	25,315	-	-	-	-	25,315
<b>Total supporting services</b>	<b>36,541</b>	<b>-</b>	<b>-</b>	<b>36,541</b>	<b>10</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>36,553</b>
<b>Total expenses</b>	<b>169,798</b>	<b>-</b>	<b>-</b>	<b>169,798</b>	<b>1,782</b>	<b>134</b>	<b>2</b>	<b>(1,521)</b>	<b>170,195</b>
Excess (deficiency) from operations	1,765	5,332	527	7,624	34	(7)	(2)	-	7,649
<b>Other changes in net assets</b>									
Net realized and unrealized (losses) gains in value of investment	(16)	31	-	15	-	-	-	-	15
Change in value of split-interest agreements	(247)	(327)	-	(574)	-	-	-	-	(574)
Change in value of perpetual trusts	-	-	(693)	(693)	-	-	-	-	(693)
Acquisition of dissolved chapters	542	1,032	-	1,574	-	-	-	-	1,574
Bad debt expense	(467)	-	-	(467)	-	-	-	-	(467)
<b>Total other changes in net assets</b>	<b>(188)</b>	<b>736</b>	<b>(693)</b>	<b>(145)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(145)</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,577</b>	<b>6,068</b>	<b>(166)</b>	<b>7,479</b>	<b>34</b>	<b>(7)</b>	<b>(2)</b>	<b>-</b>	<b>7,504</b>
Net assets at beginning of year	42,019	52,785	29,547	124,351	202	64	-	-	124,617
Net assets at end of year	\$ 43,596	\$ 58,853	\$ 29,381	\$ 131,830	\$ 236	\$ 57	\$ (2)	\$ -	\$ 132,121