

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Alzheimer's Association, New York City Chapter
New York, New York

We have audited the accompanying statements of financial position of Alzheimer's Association, New York City Chapter (the "Chapter") at June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Chapter's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alzheimer's Association, New York City Chapter at June 30, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

Jericho, New York
October 8, 2012

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,515,877	\$ 3,478,669
Certificates of deposit	3,838,160	2,590,072
Investments	6,655,184	9,211,458
Due from Alzheimer's Association National Office	256,397	258,722
Contributions receivable - net of allowance for doubtful accounts of approximately \$9,000 in 2012 and \$11,000 in 2011	404,761	211,139
Accounts receivable	33,521	26,904
Other assets	1,266,387	187,322
Fixed assets - net	<u>742,257</u>	<u>885,818</u>
 TOTAL ASSETS	 <u>\$ 14,712,544</u>	 <u>\$ 16,850,104</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 263,340	\$ 238,409
Due to Alzheimer's Association National Office	721,469	3,609,994
Deferred rent	1,696,826	627,393
Annuity payment obligations	29,773	30,344
Deferred revenue	<u>1,700</u>	<u>76,330</u>
 TOTAL LIABILITIES	 <u>2,713,108</u>	 <u>4,582,470</u>
 COMMITMENTS AND CONTINGENCIES		
Net assets		
Unrestricted		
Board designated	206,793	279,019
Operating	<u>10,140,331</u>	<u>10,686,652</u>
Total unrestricted	10,347,124	10,965,671
 Temporarily restricted	 1,391,366	 1,041,155
Permanently restricted	<u>260,946</u>	<u>260,808</u>
 TOTAL NET ASSETS	 <u>11,999,436</u>	 <u>12,267,634</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 14,712,544</u>	 <u>\$ 16,850,104</u>

The accompanying notes are an integral part of these financial statements.

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012				2011			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains, losses and other support								
Contributions								
Individuals	\$ 543,486	\$ 638,056	\$ -	\$ 1,181,542	\$ 421,096	\$ 377,876	\$ -	\$ 798,972
Corporate and foundations	290,671	664,683	-	955,354	120,826	445,708	-	566,534
Bequests	2,659,531	252,000	-	2,911,531	7,709,653	4,325	-	7,713,978
Special Events	3,021,165	142,573	-	3,163,738	2,905,999	111,771	-	3,017,770
Less: Costs of direct benefits of special events	(260,595)	-	-	(260,595)	(176,811)	-	-	(176,811)
Revenue earned under Shared Fundraising Agreement	1,385,226	-	-	1,385,226	1,337,763	-	-	1,337,763
Less: National's portion under Shared Fundraising Agreement	(2,501,703)	-	-	(2,501,703)	(4,381,959)	-	-	(4,381,959)
Government grants	68,522	-	-	68,522	94,813	-	-	94,813
Program service revenues	29,848	-	-	29,848	55,034	-	-	55,034
Investment income (including realized gains and losses)	112,276	6,580	138	118,994	100,782	12,624	263	113,669
Unrealized gain on investments	65,712	-	-	65,712	306,072	-	-	306,072
Other revenue	75,687	-	-	75,687	-	-	-	-
Net assets released from restrictions	<u>1,353,681</u>	<u>(1,353,681)</u>	<u>-</u>	<u>-</u>	<u>748,420</u>	<u>(748,420)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, losses and other support	<u>6,843,507</u>	<u>350,211</u>	<u>138</u>	<u>7,193,856</u>	<u>9,241,688</u>	<u>203,884</u>	<u>263</u>	<u>9,445,835</u>
Expenses								
Program services								
Patient and family services	2,573,546	-	-	2,573,546	2,182,576	-	-	2,182,576
Public awareness and education	2,056,751	-	-	2,056,751	1,931,373	-	-	1,931,373
Public policy	220,401	-	-	220,401	225,253	-	-	225,253
Research	458,768	-	-	458,768	87,521	-	-	87,521
Supporting services								
Management and general	1,039,868	-	-	1,039,868	742,322	-	-	742,322
Fundraising	<u>1,112,720</u>	<u>-</u>	<u>-</u>	<u>1,112,720</u>	<u>890,063</u>	<u>-</u>	<u>-</u>	<u>890,063</u>
Total expenses	<u>7,462,054</u>	<u>-</u>	<u>-</u>	<u>7,462,054</u>	<u>6,059,108</u>	<u>-</u>	<u>-</u>	<u>6,059,108</u>
Change in net assets before other changes	(618,547)	350,211	138	(268,198)	3,182,580	203,884	263	3,386,727
Net asset reclassification based on change in law	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(78,917)</u>	<u>78,917</u>	<u>-</u>	<u>-</u>
Change in net assets	(618,547)	350,211	138	(268,198)	3,103,663	282,801	263	3,386,727
Net assets, beginning of year	<u>10,965,671</u>	<u>1,041,155</u>	<u>260,808</u>	<u>12,267,634</u>	<u>7,862,008</u>	<u>758,354</u>	<u>260,545</u>	<u>8,880,907</u>
Net assets, end of year	<u>\$ 10,347,124</u>	<u>\$ 1,391,366</u>	<u>\$ 260,946</u>	<u>\$ 11,999,436</u>	<u>\$ 10,965,671</u>	<u>\$ 1,041,155</u>	<u>\$ 260,808</u>	<u>\$ 12,267,634</u>

The accompanying notes are an integral part of these financial statements.

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	Program Services				Supporting Services		Cost of Direct Benefits of Special Events	Total 2012
	Patient and Family Services	Public Awareness and Education	Public Policy	Research	Management and General	Fund Raising		
Salaries	\$ 1,207,714	\$ 767,312	\$ 88,087	\$ -	\$ 589,743	\$ 563,463	\$ -	\$ 3,216,319
Fringe benefits	308,213	192,861	23,054	-	150,018	144,014	-	818,160
Professional services and contract service payments	114,259	110,787	44,076	-	87,001	29,014	-	385,137
Supplies	50,647	94,065	1,481	-	13,811	73,073	-	233,077
Telephone	12,821	7,899	1,033	-	8,404	5,673	-	35,830
Postage and shipping	20,579	45,610	64	-	3,838	24,753	-	94,844
Occupancy	361,104	267,917	13,369	-	94,290	73,450	-	810,130
Insurance	7,883	4,404	408	-	3,390	2,818	-	18,903
Printing and publications	82,669	207,591	154	-	6,801	68,401	-	365,616
Staff development	5,063	1,540	26,805	-	5,160	690	-	39,258
Conferences	33,576	188,862	3,025	-	3,963	12,954	260,595	502,975
Travel	20,943	18,688	14,060	-	22,418	18,816	-	94,925
Research grants and allocations	5,335	1,175	-	458,768	-	-	-	465,278
Client services	244,309	61,271	-	-	-	-	-	305,580
Depreciation and amortization	89,265	50,099	4,583	-	38,289	31,937	-	214,173
Miscellaneous	9,166	36,670	202	-	12,742	63,664	-	122,444
Total expenses	2,573,546	2,056,751	220,401	458,768	1,039,868	1,112,720	260,595	7,722,649
Cost of direct benefits of special events	-	-	-	-	-	-	(260,595)	(260,595)
Total expenses reported by function on the statement of activities	\$ 2,573,546	\$ 2,056,751	\$ 220,401	\$ 458,768	\$ 1,039,868	\$ 1,112,720	\$ -	\$ 7,462,054

The accompanying notes are an integral part of these financial statements.

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	Program Services				Supporting Services			Total 2011
	Patient and Family Services	Public Awareness and Education	Public Policy	Research	Management and General	Fund Raising	Cost of Direct Benefits of Special Events	
Salaries	\$ 1,069,049	\$ 749,944	\$ 101,851	\$ -	\$ 391,944	\$ 391,574	\$ -	\$ 2,704,362
Fringe benefits	263,536	188,961	24,395	-	97,933	89,728	-	664,553
Professional services and contract service payments	82,078	119,116	42,800	-	79,446	14,459	-	337,899
Supplies	42,986	87,717	1,918	-	15,226	63,399	-	211,246
Telephone	10,889	8,217	50	-	8,180	3,952	-	31,288
Postage and shipping	14,857	50,540	140	-	5,598	30,483	-	101,618
Occupancy	240,773	204,836	14,247	-	70,274	75,563	-	605,693
Insurance	6,769	4,918	-	-	3,117	1,948	-	16,752
Printing and publications	117,569	180,602	1,492	-	3,069	73,104	-	375,836
Staff development	2,218	3,142	26,555	-	2,402	420	-	34,737
Conferences	15,649	172,803	1,225	-	1,833	54,314	176,811	422,635
Travel	14,015	15,762	10,415	-	15,331	9,227	-	64,750
Research grants and allocations	1,005	715	-	87,521	350	-	-	89,591
Client services	185,133	27,790	-	-	-	-	-	212,923
Bad debt	13,583	13,582	-	-	-	-	-	27,165
Depreciation and amortization	88,838	63,456	-	-	40,612	25,382	-	218,288
Miscellaneous	13,629	39,272	165	-	7,007	56,510	-	116,583
Total expenses	2,182,576	1,931,373	225,253	87,521	742,322	890,063	176,811	6,235,919
Cost of direct benefits of special events	-	-	-	-	-	-	(176,811)	(176,811)
Total expenses reported by function on the statement of activities	\$ 2,182,576	\$ 1,931,373	\$ 225,253	\$ 87,521	\$ 742,322	\$ 890,063	\$ -	\$ 6,059,108

The accompanying notes are an integral part of these financial statements.

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (268,198)	\$ 3,386,727
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Actuarial loss on annuity obligations	2,681	3,021
Unrealized gain on investments	(65,712)	(306,072)
Donated stock	(45,761)	(102,442)
Depreciation and amortization	214,173	218,288
Changes in assets (increase) decrease:		
Due from Alzheimer's Association National Office	2,325	10,872
Contributions receivable	(193,622)	210,039
Accounts receivable	(6,617)	137,832
Other assets	(79,065)	(27,444)
Changes in liabilities increase (decrease):		
Accounts payable and accrued expenses	24,931	51,287
Due to Alzheimer's Association National Office	(2,888,525)	3,100,487
Deferred rent	69,433	(131,672)
Deferred revenue	<u>(74,630)</u>	<u>76,330</u>
Net cash (used in) provided by operating activities	<u>(3,308,587)</u>	<u>6,627,253</u>
Cash flows from investing activities:		
Proceeds from sale of investments	14,885,902	3,608,198
(Increase) decrease in certificates of deposit	(1,248,088)	552,477
Fixed asset acquisitions	(70,612)	(43,113)
Purchase of investments	<u>(12,218,155)</u>	<u>(10,570,590)</u>
Net cash provided by (used in) investing activities	<u>1,349,047</u>	<u>(6,453,028)</u>
Cash flows from financing activities:		
Annuity obligation payments	<u>(3,252)</u>	<u>(3,252)</u>
Net cash used in financing activities	<u>(3,252)</u>	<u>(3,252)</u>
Net (decrease) increase in cash and cash equivalents	(1,962,792)	170,973
Cash and cash equivalents, beginning of year	<u>3,478,669</u>	<u>3,307,696</u>
Cash and cash equivalents, end of year	<u>\$ 1,515,877</u>	<u>\$ 3,478,669</u>
Noncash activities:		
Tenant improvement allowance	<u>\$ 1,000,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 1 - Nature and Purpose of Organization

Alzheimer's Association, New York City Chapter (the "Chapter") was incorporated under the Not-for-Profit Law of the State of New York on May 7, 1985. The mission of the Chapter is to create and promote comprehensive and humane care and treatment for persons with Alzheimer's disease and related disorders, to provide support for their families and professional caregivers, and to eliminate Alzheimer's disease through the advancement of research. The Chapter meets this mission in the community through increasing public awareness, providing education, creating and encouraging replication of model programs, collaborating with research centers, and undertaking advocacy. Its primary sources of funding are contributions and special events.

The Chapter is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared on the accrual basis.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value of Financial Instruments (cont'd.)

Level 3 - Valuations based on unobservable inputs reflecting the Chapter's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At June 30, 2012, the cost basis of the Chapter's financial instruments including cash and cash equivalents, certificates of deposit, contributions receivable, accounts receivable, accounts payable and accrued expenses, and annuity payment obligations approximated fair value due to the short maturity of these instruments.

Refer to Note 5 - Fair Value Measurements for assets measured at fair value.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with initial maturities when acquired of three months or less.

Certificates of Deposit

Certificates of deposit include investments with initial maturities greater than three months. Certificates of deposit are considered investments for purposes of cash flow reporting.

Investments

Investments are stated at the readily determinable fair market value in accordance with the Not-for-Profit Entities topic of the Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC"). All interest, dividends and realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Revenues and Accounts Receivable

Revenues and accounts receivable from program service fees are recognized when earned. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, the Chapter establishes advances from government funders.

Deferred revenue represents amounts received for special events that have not yet been earned.

Allowance for Doubtful Accounts

The Chapter determines whether an allowance for uncollectibles should be provided for accounts and contributions receivable. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions and historical information. Accounts and contributions receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Interest is not charged on outstanding receivables. At June 30, 2012 and 2011, the Chapter has recorded an allowance for doubtful accounts of approximately \$9,000 and \$11,000, respectively.

Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the term of lease. The Chapter capitalizes property and equipment acquisitions over \$500, as well as expenditures that increase the life of existing assets. Equipment is depreciated between three and seven years.

Contributions

The Chapter reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Shared Fundraising Agreement

Effective July 1, 2008, the Chapter and the Alzheimer's Association National Office ("National") entered into a Shared Fundraising Agreement (the "Fundraising Agreement"). The Fundraising Agreement is designed to coordinate and unify fundraising efforts by means of direct marketing, planned gifts, major gifts, corporate and foundation relations, general development and special events in New York City.

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Shared Fundraising Agreement (cont'd.)

Under the Fundraising Agreement, the Chapter and National allocate percentages of shared revenues, based on cash received, as defined, among the Chapter, National and the Mission Fund, based on percentages contained in the Fundraising Agreement. The Mission Fund was established as part of the Fundraising Agreement to benefit National and all of its chapters as a whole. Gifts restricted for a specific purpose are not considered part of shared revenues. Under the terms of the Fundraising Agreement, the Chapter is not required to pay dues to National.

During the years ended June 30, 2012 and 2011, under the Fundraising Agreement with National, the Chapter received 60% of shared revenues from National, and paid to National 40% of shared revenues, respectively. Unrestricted revenues from the Rita Hayworth Gala are shared (net of direct donor benefit) in a reverse split: Chapter received 30%, National received 70%.

Charitable Gift Annuities

The Chapter's investments include funds subject to charitable gift annuities. Contribution revenues for charitable gift annuities are recognized at the date the agreement is established, net of the liability recorded for the present value of the future payments to be made to the respective donors and/or other beneficiaries. The present value of payments to beneficiaries of charitable gift annuities is calculated using a 6% discount rate. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset class in the statement of activities. The present value of the annuities is classified as unrestricted net assets. The fair market value of the investments is \$35,029 and \$36,357 at June 30, 2012 and 2011, respectively.

Net Assets

Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors. Board designated funds represent funds designated by the board of directors as a special allocation for enhancing specific program activities. Temporarily restricted net assets are those net assets that are restricted by the donors for specific purposes. Permanently restricted net assets are those net assets whose principal may not be expended. The donors may or may not restrict the use of investment income.

Functional Reporting

The costs of providing the Chapter's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Donated Services

Many individuals volunteer their time and perform a variety of tasks that assist the Chapter with specific assistance programs, campaign solicitations and various committee assignments. No expense is reflected in these financial statements since the services provided do not meet the criteria for recognition under FASB ASC Topic 605.

Operating Leases

Operating lease expense has been recorded on the straight-line basis over the life of the lease. Deferred rent has been recorded for the difference between the fixed payment and rent expense.

Accounting for Uncertainty in Income Taxes

Effective July 1, 2009, the Chapter adopted the provisions pertaining to uncertain tax provisions (FASB ASC Topic 740) and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Note 3 - Concentration of Credit Risk

The Chapter maintains cash balances in several financial institutions. Interest-bearing balances are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per institution. In addition, all funds in noninterest-bearing accounts are insured by the FDIC through December 31, 2012. From time to time, the Chapter's balances may exceed these limits.

A contribution of \$7 million was received from one donor for the year ended June 30, 2011 (\$4.2 million, net of National's portion).

Note 4 - Restricted Cash

The Chapter has a certificate of deposit with a bank, which is pledged as collateral for their leased property (see Note 12) and a corresponding letter of credit (see Note 14). The certificate of deposit at June 30, 2012 and 2011 was \$113,934 and \$113,478, respectively.

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 5 - Fair Value Measurements

The Chapter measures its marketable securities at fair value. Fair value is an exit price, representing the amount that would be received on the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, a three-tier fair value hierarchy is used which prioritizes the inputs in the valuation methodologies in measuring fair value.

Fair Value Hierarchy

The methodology for measuring fair value specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect the Chapter's own assumptions of market participant valuation (unobservable inputs).

Items Measured at Fair Value on a Recurring Basis

The following table presents the Chapter's assets that are measured at fair value on a recurring basis at June 30, 2012:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Marketable securities:				
Fixed Income - Mutual Funds	\$ 3,127,851	\$ 3,127,851	\$ -0-	\$ -0-
Equity - Mutual Funds	1,220,086	1,220,086	-0-	-0-
Treasury Bills	2,299,544	2,299,544	-0-	-0-
Equities	<u>7,703</u>	<u>7,703</u>	<u>-0-</u>	<u>-0-</u>
Total Assets Measured at Fair Value	<u>\$ 6,655,184</u>	<u>\$ 6,655,184</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

The following table presents the Chapter's assets that are measured at fair value on a recurring basis at June 30, 2011:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Marketable securities:				
Fixed Income - Mutual Funds	\$ 769,371	\$ 769,371	\$ -0-	\$ -0-
Equity - Mutual Funds	1,435,407	1,435,407	-0-	-0-
Treasury Bills	6,999,895	6,999,895	-0-	-0-
Equities	<u>6,785</u>	<u>6,785</u>	<u>-0-</u>	<u>-0-</u>
Total Assets Measured at Fair Value	<u>\$ 9,211,458</u>	<u>\$ 9,211,458</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 6 - Investments

The following is a summary of investments held at June 30:

	<u>2012</u>	<u>2011</u>
Mutual Funds	\$ 4,347,937	\$ 2,204,778
Treasury Bills	2,299,544	6,999,895
Equities	<u>7,703</u>	<u>6,785</u>
	<u>\$ 6,655,184</u>	<u>\$ 9,211,458</u>

Investment income consists of:

Interest and dividend income	\$ 117,734	\$ 114,363
Realized gain (loss)	<u>1,260</u>	<u>(694)</u>
	<u>\$ 118,994</u>	<u>\$ 113,669</u>

Note 7 - Contributions Receivable

All unconditional contributions receivable have been recorded at present value and are due within one year, except \$108,000 and \$10,000 due at June 30, 2012 and 2011, respectively.

Note 8 - Fixed Assets

Fixed assets, net, consists of the following:

	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ 1,426,745	\$ 1,426,745
Equipment	<u>481,497</u>	<u>463,861</u>
	1,908,242	1,890,606
Less: Accumulated depreciation and amortization	<u>1,165,985</u>	<u>1,004,788</u>
	<u>\$ 742,257</u>	<u>\$ 885,818</u>

Depreciation and amortization expense related to fixed assets amounted to \$214,173 and \$218,288 for the years ended June 30, 2012 and 2011, respectively.

Note 9 - Pension Plan

The Chapter has a defined contribution pension plan for all eligible employees. The Chapter's contributions are equal to 5% of each employee's annual compensation. Pension expense for the years ended June 30, 2012 and 2011 was \$123,978 and \$98,432, respectively.

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 JUNE 30, 2012 AND 2011

Note 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Patient and family services	\$ 814,251	\$ 336,735
Public awareness and education	496,530	612,879
Public policy	4,464	-0-
Endowments	<u>76,121</u>	<u>91,541</u>
	<u>\$ 1,391,366</u>	<u>\$ 1,041,155</u>

Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the following:

	<u>2012</u>	<u>2011</u>
Patient and family services	\$ 467,094	\$ 260,736
Public awareness and education	400,819	398,663
Public policy	5,000	1,500
Appropriation of endowments	22,000	-0-
Research	<u>458,768</u>	<u>87,521</u>
	<u>\$ 1,353,681</u>	<u>\$ 748,420</u>

Note 11 - Endowment Funds

General

The Chapter's endowment consists of four individual donor-restricted endowment funds established to create and promote comprehensive and humane care and treatment for persons with Alzheimer's disease and related disorders, and to provide support for their families and professional caregivers. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

On September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), a modified version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Chapter has evaluated the effect of NYPMIFA on the investments, appropriation and management of institutional funds and established procedures to comply with its provisions.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 11 - Endowment Funds (cont'd.)

Interpretation of Relevant Law (cont'd.)

During 2010, the Chapter interpreted state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Chapter classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. Currently, there are no provisions in donor gift instruments that provide for any other accumulations to the permanent endowments.

In accordance with FASB ASC Subtopic 958-205, *Not-for-Profit Entities* (formerly FSP FAS No. 117-1), upon the passage of NYPMIFA, the Chapter is required to determine if there are any nonappropriated endowed investment earnings, and if so, it would need to reclassify them as temporarily restricted net assets. At July 1, 2010, the Chapter has calculated \$78,917 of nonappropriated endowed investment earnings that have been reclassified.

It is the Chapter's policy that any remaining portion of the donor-restricted endowment funds, if any, that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by NYPMIFA. The amounts appropriated for expenditure represent amounts that were spent within the year in satisfying the purpose restriction.

The Chapter has considered the following factors in making a determination to appropriate or calculate donor-restricted endowment funds:

1. Duration of the fund
2. General purposes of the organization and the donor-restricted endowment funds
3. General economic conditions
4. Possible effect of inflation or deflation
5. Expected total return from income and appreciation of investments
6. Other resources of the organization
7. Investment policy of the organization

Return Objectives, Strategies Employed and Spending Policy

The objective of the Chapter is to maintain the principal endowment funds at the original amount designated by the donor. The investment policy to achieve this objective is to invest in low risk investments. Investment income, earned in relation to the endowment funds, is recorded as temporarily restricted income except for 10% of investment earnings attributable to the Estate of John Marshall, reinvested in the permanently restricted net assets. The Chapter has adopted a spending policy in which the total appropriation for expenditure for any given year is equal to or less than 7% of the average fair market values of the investments for the prior twenty fiscal quarters based on board approval.

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NOTES TO FINANCIAL STATEMENTS
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Note 11 - Endowment Funds (cont'd.)

Funds with Deficiencies

The Chapter does not have any funds with deficiencies.

Endowment Net Asset Composition by Type of Fund at June 30, 2012

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Estate of John Marshall	\$ 4,515	\$ 15,620	\$ 53,547	\$ 73,682
Louis and Mildred Davis	4,215	14,586	50,000	68,801
Cappiello-Finocchiaro	4,380	15,154	51,949	71,483
The Baschkopf Family	<u>8,890</u>	<u>30,761</u>	<u>105,450</u>	<u>145,101</u>
	<u>\$ 22,000</u>	<u>\$ 76,121</u>	<u>\$ 260,946</u>	<u>\$ 359,067</u>

Endowment Net Asset Composition by Type of Fund at June 30, 2011

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Estate of John Marshall	\$ 18,746	\$ 53,410	\$ 72,156
Louis and Mildred Davis	17,549	50,000	67,549
Cappiello-Finocchiaro	18,234	51,949	70,183
The Baschkopf Family	<u>37,012</u>	<u>105,449</u>	<u>142,461</u>
	<u>\$ 91,541</u>	<u>\$ 260,808</u>	<u>\$ 352,349</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2012

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -0-	\$ 91,541	\$ 260,808	\$ 352,349
Appropriation	22,000	(22,000)	-0-	-0-
Interest and dividends	<u>-0-</u>	<u>6,580</u>	<u>138</u>	<u>6,718</u>
Endowment net assets, end of year	<u>\$ 22,000</u>	<u>\$ 76,121</u>	<u>\$ 260,946</u>	<u>\$ 359,067</u>

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NOTES TO FINANCIAL STATEMENTS
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Note 11 - Endowment Funds (cont'd.)

Changes in Endowment Net Assets for the Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 78,917	\$ -0-	\$ 260,545	\$ 339,462
Net asset reclassification based on change in law	<u>(78,917)</u>	<u>78,917</u>	<u>-0-</u>	<u>-0</u>
Endowment net assets, beginning of year after reclassification	-0-	78,917	260,545	339,462
Interest and dividends	<u>-0-</u>	<u>12,624</u>	<u>263</u>	<u>12,887</u>
Endowment net assets, end of year	<u>\$ -0-</u>	<u>\$ 91,541</u>	<u>\$ 260,808</u>	<u>\$ 352,349</u>

Note 12 - Lease Agreements

The Chapter leases office space under leases with terms of ten and fifteen years, which include a six-month and ten-month concession, and expire in July 2016 and January 2028, respectively. The leases are being amortized on the straight-line basis over the lease terms. Additionally, the Chapter leases office equipment with lease payments through February 2016. The commitments are as follows:

Years Ending June 30:

2013	\$ 969,301
2014	1,308,705
2015	1,323,190
2016	1,327,920
2017	1,206,936
Thereafter	<u>14,489,541</u>
	<u>\$20,625,593</u>

Rent expense was \$751,845 and \$566,436 for the years ended June 30, 2012 and 2011, respectively. During the years ended June 30, 2012 and 2011, actual cash paid for rent was \$659,882 and \$632,436, respectively.

At June 30, 2012, included in other assets and deferred rent is a \$1,000,000 tenant improvement allowance. The allowance will be amortized over the life of the lease.

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Note 13 - Joint Costs

The Chapter conducted activities that included requests for contributions as well as program components and incurred joint costs. These activities included special events such as the Walk to End Alzheimer's, Forget-Me-Not Gala, and various Athletes to End Alzheimer's and Junior Committee events. Joint costs were allocated between program services and fundraising as follows:

	<u>2012</u>	<u>2011</u>
Program services	\$ 352,839	\$ 319,787
Fundraising	<u>616,963</u>	<u>522,911</u>
	<u>\$ 969,802</u>	<u>\$ 842,698</u>

Note 14 - Commitments and Contingencies

The Chapter has a letter of credit outstanding in the amount of \$110,270 for the benefit of its landlord. The letter of credit expires on April 29, 2028 and is secured by a certificate of deposit account with its bank (see Note 4).

Note 15 - Subsequent Events

The Chapter has evaluated all events or transactions that occurred after June 30, 2012 through the date of these financial statements, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.