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**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
MASSACHUSETTS/NEW HAMPSHIRE CHAPTER, INC.**

**FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
MASSACHUSETTS/NEW HAMPSHIRE CHAPTER, INC.

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JUNE 30, 2011 AND 2010

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Alzheimer's Disease and Related Disorders Association,  
Massachusetts/New Hampshire Chapter, Inc.:

We have audited the accompanying statements of financial position of Alzheimer's Disease and Related Disorders Association, Massachusetts/New Hampshire Chapter, Inc. (a Massachusetts corporation, not for profit) (the Association) as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alzheimer's Disease and Related Disorders Association, Massachusetts/New Hampshire Chapter, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Alexander, Aronson, Finning & Co., P.C.*

Westborough, Massachusetts  
September 13, 2011

ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
 MASSACHUSETTS/NEW HAMPSHIRE CHAPTER, INC.

STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2011 AND 2010

	2011			2010		
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED
<b>ASSETS</b>			<b>TOTAL</b>			<b>TOTAL</b>
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 1,679,055	\$ -	\$ 1,907,258	\$ 1,478,795	\$ 154,653	\$ 1,633,448
Short-term investments	1,496,466	-	1,496,466	1,372,016	6,592	1,378,608
Contracts receivable	73,291	-	73,291	68,389	-	68,389
Current portion of contributions receivable	123,302	100,000	223,302	128,898	75,344	204,242
Current portion of due from National	283,831	-	283,831	251,135	-	251,135
Prepaid expenses	112,499	-	112,499	102,942	-	102,942
Total current assets	3,768,444	328,203	4,096,647	3,402,175	236,589	3,638,764
<b>CONTRIBUTIONS RECEIVABLE,</b> net of current portion	-	338,653	338,653	-	256,983	256,983
<b>DUE FROM NATIONAL,</b> net of current portion	-	171,181	171,181	-	171,181	171,181
<b>INVESTMENTS</b>	-	-	140,847	-	-	140,847
<b>PROPERTY AND EQUIPMENT,</b> net	50,528	-	50,528	52,824	-	52,824
Total assets	\$ 3,818,972	\$ 838,037	\$ 4,797,856	\$ 3,454,999	\$ 664,753	\$ 4,260,599
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts payable	\$ 187,129	\$ -	\$ 187,129	\$ 105,512	\$ -	\$ 105,512
Accrued expenses	312,577	-	312,577	306,217	-	306,217
Deferred revenue	124,080	-	124,080	68,615	-	68,615
Due to National	618,257	-	618,257	404,288	-	404,288
Total current liabilities	1,242,043	-	1,242,043	884,632	-	884,632
<b>DEFERRED RENT</b>	-	-	-	30,000	-	30,000
Total liabilities	1,242,043	-	1,242,043	914,632	-	914,632
<b>NET ASSETS:</b>						
Unrestricted:						
Operating	2,526,401	-	2,526,401	2,487,543	-	2,487,543
Property and equipment	50,528	-	50,528	52,824	-	52,824
Total unrestricted	2,576,929	-	2,576,929	2,540,367	-	2,540,367
Temporarily restricted	-	838,037	838,037	-	664,753	664,753
Permanently restricted	-	-	140,847	-	-	140,847
Total net assets	2,576,929	838,037	3,555,813	2,540,367	664,753	3,345,967
Total liabilities and net assets	\$ 3,818,972	\$ 838,037	\$ 4,797,856	\$ 3,454,999	\$ 664,753	\$ 4,260,599

The accompanying notes are an integral part of these statements.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
MASSACHUSETTS/NEW HAMPSHIRE CHAPTER, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011			2010		
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED
	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
<b>OPERATING REVENUE:</b>						
Public support:						
Grants and contributions:						
Individuals and corporations	\$ 1,427,684	\$ 368,126	\$ -	\$ 1,130,236	\$ 181,299	\$ -
Bequests and trusts	178,341	163,088	-	107,282	253,487	-
Foundations	114,958	99,710	-	86,675	167,496	-
Government	26,040	-	-	104,428	-	-
Net assets released from purpose restrictions	920,808	(920,808)	-	1,064,258	(1,064,258)	-
Total grants and contributions	2,667,831	(289,884)	-	2,492,879	(461,976)	-
Fundraising events, net of direct expenses of \$63,165 and \$74,250 for the years ended June 30, 2011 and 2010, respectively	2,649,340	460,096	-	2,641,953	341,557	-
Total public support raised by the Association	5,317,171	170,212	-	5,134,832	(120,419)	-
Contributions received from National	1,200,673	1,745	-	1,351,206	443	-
Contributions remitted to National	(1,704,913)	(500)	-	(1,540,726)	-	-
Total public support	4,812,931	171,457	-	4,945,312	(119,976)	-
Educational programs	135,787	-	-	175,882	-	-
Investment income	42,604	1,827	-	49,264	9,789	-
Other	20,051	-	-	27,106	-	-
Total operating revenue	5,011,373	173,284	-	5,197,564	(110,187)	-
<b>OPERATING EXPENSES:</b>						
Program	3,909,926	-	-	3,778,821	-	-
Fundraising	764,934	-	-	835,458	-	-
General and administrative	299,951	-	-	312,215	-	-
Total operating expenses	4,974,811	-	-	4,926,494	-	-
Changes in net assets	36,562	173,284	-	271,070	(110,187)	-
NET ASSETS, beginning of year	2,540,367	664,753	140,847	2,269,297	774,940	140,847
NET ASSETS, end of year	\$ 2,576,929	\$ 838,037	\$ 140,847	\$ 2,540,367	\$ 664,753	\$ 140,847

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

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
MASSACHUSETTS/NEW HAMPSHIRE CHAPTER, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from:		
Public support	\$ 4,906,427	\$ 4,918,352
Education, interest and other	195,367	159,681
Cash paid for:		
Grants	(265,506)	(520,278)
Personnel	(2,971,423)	(2,907,275)
Other	(1,441,082)	(1,379,780)
Net cash provided by operating activities	<u>423,783</u>	<u>270,700</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property and equipment	(32,115)	(3,762)
(Purchase) sale of investments, net	(117,858)	275,489
Net cash provided by (used in) investing activities	<u>(149,973)</u>	<u>271,727</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	273,810	542,427
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,633,448</u>	<u>1,091,021</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 1,907,258</u>	<u>\$ 1,633,448</u>
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 209,846	\$ 160,883
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	34,411	53,645
Change in value of beneficial interest in charitable remainder trust	(13,088)	(5,202)
Discount of contributions receivable	6,398	-
Changes in operating assets and liabilities:		
Contracts receivable	(4,902)	23,406
Contributions receivable	(94,040)	(66,368)
Due from National	(32,696)	36,573
Prepaid expenses	(9,557)	(7,136)
Accounts payable	81,617	21,974
Accrued expenses	6,360	8,772
Deferred revenue	55,465	2,247
Due to National	213,969	41,906
Deferred rent	(30,000)	-
Net cash provided by operating activities	<u>\$ 423,783</u>	<u>\$ 270,700</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:</b>		
Cost basis of property and equipment disposed	<u>\$ 13,801</u>	<u>\$ 11,112</u>

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

ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
MASSACHUSETTS/NEW HAMPSHIRE CHAPTER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011			2010				
	PROGRAM	FUND- RAISING	GENERAL AND ADMINIS- TRATIVE	TOTAL	PROGRAM	FUND- RAISING	GENERAL AND ADMINIS- TRATIVE	TOTAL
<b>EXPENSES:</b>								
Personnel and related:								
Salaries	\$ 1,914,486	\$ 322,130	\$ 174,573	\$ 2,411,189	\$ 1,856,453	\$ 399,067	\$ 183,289	\$ 2,438,809
Payroll taxes and fringe benefits	429,822	72,868	33,904	536,594	373,998	75,394	27,846	477,238
Total personnel and related	2,344,308	394,998	208,477	2,947,783	2,230,451	474,461	211,135	2,916,047
Grants:								
Research grants to National	479,475	-	-	479,475	562,184	-	-	562,184
Other:								
Occupancy	356,207	53,553	27,307	437,067	310,890	71,290	29,852	412,032
Conferences and meetings	170,253	99,021	-	269,274	178,895	81,543	-	260,438
Contracted services	89,353	31,790	18,135	139,278	68,985	32,998	27,791	129,774
Postage and shipping	76,479	49,328	4,277	130,084	60,194	38,843	4,969	104,006
Printing and publications	73,590	31,421	1,414	106,425	52,707	25,201	763	78,671
Equipment rental and maintenance	63,413	12,064	6,149	81,626	54,410	20,398	7,158	81,966
Travel	51,941	15,246	3,740	70,927	47,332	12,581	490	60,403
Interest and service charges	41,978	26,109	565	68,652	38,078	24,544	708	63,330
Advertising and promotion	36,785	28,913	-	65,698	31,229	21,057	-	52,286
Telephone	39,062	5,285	1,670	46,017	36,159	5,419	1,601	43,179
Supplies	27,978	6,170	2,481	36,629	29,116	8,869	3,532	41,517
Depreciation	27,750	4,430	2,231	34,411	39,854	9,710	4,081	53,645
Insurance	13,195	1,944	4,264	19,403	15,908	3,303	4,562	23,773
Professional services	-	-	16,149	16,149	-	-	14,976	14,976
Staff development	10,337	993	3,057	14,387	4,649	850	555	6,054
Books and subscriptions	7,822	3,669	35	11,526	17,780	4,391	42	22,213
Total other	1,086,143	369,936	91,474	1,547,553	986,186	360,997	101,080	1,448,263
Total expenses	\$ 3,909,926	\$ 764,934	\$ 299,951	\$ 4,974,811	\$ 3,778,821	\$ 835,458	\$ 312,215	\$ 4,926,494

The accompanying notes are an integral part of these statements.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
MASSACHUSETTS/NEW HAMPSHIRE CHAPTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**

**OPERATIONS AND NONPROFIT STATUS**

Alzheimer's Disease and Related Disorders Association, Massachusetts/New Hampshire Chapter, Inc. (the Association) is a Massachusetts nonprofit corporation formed as a chapter of Alzheimer's Disease and Related Disorders Association, Inc. (National), a national organization, to aid in the research and exchange of information concerning Alzheimer's disease between the medical community and family and friends of the victims of dementia related illnesses.

The Association is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. The Association is also exempt from state income taxes. Donors may deduct contributions made to the Association within the requirements of the Internal Revenue Code.

**SIGNIFICANT ACCOUNTING POLICIES**

The Association prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

Estimates

The preparation of financial statements in accordance with U.S. GAAP 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.

Revenue Recognition

Unrestricted grants and contributions are recorded as unrestricted revenue and net assets when unconditionally pledged or received. Revenue from restricted grants and contributions is recorded as temporarily restricted revenue and net assets when unconditionally pledged or received. Transfers are made to unrestricted revenue and net assets as costs are incurred or time restrictions or program restrictions have lapsed.

Revenue from fundraising events is recognized at the time of the event. All other revenue is recorded when earned.

Bequests

The Association is and may be named principal beneficiary of various trusts and wills. The amounts to be received, if any, cannot be determined and, therefore, will be reflected in the Association's financial statements when the amounts become known.



**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
MASSACHUSETTS/NEW HAMPSHIRE CHAPTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)**

**(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Expense Allocation

Expenses related directly to a program are allocated to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Advertising Costs

The Association expenses advertising costs as they are incurred. Total advertising costs were \$42,842 and \$20,852 for the years ended June 30, 2011 and 2010, respectively, and are included in advertising and promotion in the accompanying statements of functional expenses.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking and money market accounts.

Contracts Receivable and Allowance for Doubtful Accounts

Contracts receivable are recorded at the invoiced amounts. An allowance for doubtful accounts is calculated based on management's best estimate of the amount of probable credit losses in accounts receivable. Account balances are charged off against the allowance when it is probable the receivable will not be recovered. There was no allowance for doubtful accounts at June 30, 2011 and 2010.

Contributions Receivable

Contributions receivable are recorded at their net present value when unconditionally committed by the donor. Contributions receivable also includes the Association's future interest in an irrevocable charitable remainder trust. The irrevocable charitable remainder trust provides for the payment of distributions to a designated beneficiary over the trust's term, which is the designated beneficiary's lifetime. The present value of the irrevocable charitable remainder trust totaled \$270,071 and \$256,983 at June 30, 2011 and 2010, respectively. These funds will be paid to the Association upon the death of the designated beneficiary and, accordingly, have been classified as long-term temporarily restricted contributions receivable in the accompanying statements of financial position (see page 8).

The fair value of this irrevocable charitable remainder trust is measured using significant Level 3 inputs including projected investment returns, donor life expectancy and present value factors (see page 10).

Also included in the long-term portion of contributions receivable at June 30, 2011, is \$68,582 of pledges for donors which are expected to be collected in fiscal year 2013. These pledges have been discounted using a discount rate of 3%.

ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
MASSACHUSETTS/NEW HAMPSHIRE CHAPTER, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Investments

The Association records investments at fair market value. Interest and dividends are recorded as investment income when earned.

Deferred Revenue

Deferred revenue consists of fundraising event sponsorship revenue received in advance of the events.

Property and Equipment and Depreciation

Property and equipment are recorded at cost when purchased or at fair market value at the time of donation. Major additions to furniture, fixtures and equipment are capitalized, while repairs and maintenance are expensed as they are incurred. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

	<u>Estimated Useful Lives</u>
Leasehold improvements	7 years
Furniture and fixtures	5 years
Equipment	3 - 7 years
Computer equipment and software	3 - 5 years

Net Assets

**Unrestricted Net Assets**

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Association. The Association has grouped its unrestricted net assets into the following categories:

**Operating** - Operating net assets represent unrestricted resources available for the Association's operations.

**Property and equipment** - Property and equipment net assets reflect the activities relating to the net book value of the Association's property and equipment.

**Temporarily Restricted Net Assets**

Temporarily restricted net assets represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose (purpose restricted) or amounts for unrestricted use in future periods (time restricted). Temporarily restricted net assets also include the Association's interest in an irrevocable charitable remainder trust.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
MASSACHUSETTS/NEW HAMPSHIRE CHAPTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)**

**(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Net Assets (Continued)

**Temporarily Restricted Net Assets** (Continued)

Temporarily restricted net assets are restricted for the following as of June 30:

	<u>2011</u>	<u>2010</u>
Time restricted	\$282,496	\$171,181
Interest in irrevocable charitable remainder trust (time restricted)	270,071	256,983
Family and patient services	104,650	10,000
Local services	75,004	49,099
Outreach and medical education	63,092	104,222
New Hampshire services	26,000	1,000
Respite care	13,491	15,360
Other program activities	3,233	6,674
Research	-	50,234
	<u>\$838,037</u>	<u>\$664,753</u>

**Permanently Restricted Net Assets**

Permanently restricted net assets consist of two named funds which have been restricted by the donors against any expenditure of principal and must be maintained in perpetuity. Income earned on these funds is either temporarily restricted or unrestricted based on donor stipulations.

Donated Goods and Services

The Association receives services of volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying financial statements since the value assigned to these services by the donating volunteers is not ascertainable and does not meet the standards for *Accounting for Contributions Received and Contributions Made*.

Fair Value Measurement

The Association follows the criteria of the *Fair Value Measurements* standard. This standard defines fair value, establishes a framework for measuring fair value under U.S. GAAP, and mandates disclosures about fair value measurements. The criterion establishes a fair value framework that prioritizes the inputs and assumptions used to measure fair value.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
MASSACHUSETTS/NEW HAMPSHIRE CHAPTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)**

**(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fair Value Measurement (Continued)

The three levels of the fair value framework are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 – Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs that are unobservable.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

A reconciliation of the Level 3 activity is as follows for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Beginning Balance	\$428,164	\$422,962
Appreciation on irrevocable charitable remainder trust and charitable gift annuities	<u>13,088</u>	<u>5,202</u>
Ending Balance	<u>\$441,252</u>	<u>\$428,164</u>

Subsequent Events

Subsequent events have been evaluated through September 13, 2011, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

Income Tax

The Association adopted the *Accounting for Uncertainty in Income Taxes* standard which requires the Association to report uncertain tax positions, related interest and penalties, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties accordingly. As of June 30, 2011, the Association determined that there were no material unrecognized tax benefits to report.

Information returns filed for the prior three years remain subject to examination by the Internal Revenue Service and Massachusetts tax authorities. The Association does not expect that the amounts of unrecognized tax benefits will change significantly within the next twelve months.

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)**

**(2) PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30:

	<u>2011</u>	<u>2010</u>
Equipment	\$133,827	\$117,637
Furniture and fixtures	132,048	130,729
Leasehold improvements	100,272	98,367
Computer equipment and software	<u>36,060</u>	<u>37,160</u>
	402,207	383,893
Less - accumulated depreciation	<u>351,679</u>	<u>331,069</u>
Net property and equipment	<u>\$ 50,528</u>	<u>\$ 52,824</u>

**(3) INVESTMENTS**

Investments are presented in the accompanying financial statements at the quoted market values using Level 1 inputs (see Note 1) and are comprised of the following as of June 30:

	<u>Fair Market Value</u>	
	<u>2011</u>	<u>2010</u>
Certificates of deposit	\$1,636,813	\$1,518,955
State of Israel bond	<u>500</u>	<u>500</u>
Total	<u>\$1,637,313</u>	<u>\$1,519,455</u>

Certificates of deposit (CD's) consist of CD's with initial maturities of six to twelve months and mature at various dates through June, 2012. Permanently restricted net assets invested in CD's are reflected as long-term investments. The State of Israel bond is not insured. CD's are insured up to the Federal Deposit Insurance Corporation (FDIC) limits.

**(4) RELATED PARTY TRANSACTIONS**

In an effort to coordinate and unify fundraising efforts, effective July 1, 2007, the Association entered in a Shared Fundraising Agreement (the Agreement) with National that establishes the terms and conditions of a revenue sharing arrangement between the two organizations. The agreement, which is for the five-year period ending June 30, 2012, sets the terms and allocation percentages for sharing revenue. In addition, the Association's obligation for paying dues to National is waived through the term of the Agreement.

At June 30, 2011, various amounts are due to and from National as a result of the Agreement and other operational matters. These amounts are presented in the accompanying statements of financial position as due to National and due from National. Included in due from National as of June 30, 2011 and 2010, is \$171,181 of the Association's interest in charitable gift annuities which National holds.

The fair value of these charitable gift annuities is measured using significant Level 3 inputs, including projected investment returns, donor life expectancy and present value factors (see page 10).

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)**

**(5) OPERATING LEASES**

The Association leases office space in locations in Watertown, Worcester, Springfield and Raynham, Massachusetts and Bedford, New Hampshire under lease agreements which expire at various dates through August, 2014.

As part of the agreement for the Watertown lease, the Association received free rent. The Association is recognizing rent expense for this space on a straight-line basis over the term of the lease. Deferred rent at June 30, 2011 and 2010, was \$30,000 and \$56,000, respectively. The current portion of deferred rent is included in accrued expenses in the accompanying statements of financial position. This lease also requires the Association to maintain a letter of credit in the amount of \$73,500 throughout the lease term and for sixty days after the expiration date. At June 30, 2011, the Association's letter of credit facility of \$73,500, which is in the form of a CD, is included in investments in the accompanying statements of financial position.

Rent expense totaled \$392,988 and \$379,871 for the years ended June 30, 2011 and 2010, respectively, and is included in occupancy on the accompanying statements of functional expenses.

The Association also leases office equipment under agreements with expiration dates through fiscal year 2015. Lease expense totaled \$20,918 and \$41,700 for the years ended June 30, 2011 and 2010, respectively, and is included in equipment rental and maintenance on the accompanying statements of functional expenses.

Future minimum lease payments are as follows:

2012	\$371,030
2013	\$ 88,988
2014	\$ 65,155
2015	\$ 10,409
2016	\$ 3,630

**(6) RETIREMENT PLAN**

The Association sponsors a defined contribution retirement plan (the Plan) under Internal Revenue Code (IRC) Section 403(b), with eligibility based on length of service as defined in the Plan. During fiscal years 2011 and 2010, the Association contributed \$75,452 and \$43,264, respectively, to the Plan, which is included in payroll taxes and fringe benefits on the accompanying statements of functional expenses.

**(7) ENDOWMENT FUNDS**

The Association's endowment by net asset class consists of the following as of June 30, 2011 and 2010:

	<b><u>Permanently Restricted</u></b>
Donor restricted endowment fund	<b><u>\$140,847</u></b>

**ALZHEIMER'S DISEASE AND RELATED DISORDERS ASSOCIATION,  
MASSACHUSETTS/NEW HAMPSHIRE CHAPTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)**

**(7) ENDOWMENT FUNDS (Continued)**

There was no change in the Association's endowment by net asset class during the years ended June 30, 2011 and 2010. The Association's endowment is invested in certificates of deposit and earned approximately \$1,700 and \$4,300 of interest income during fiscal years 2011 and 2010, respectively, which has been appropriated for operations in accordance with the donor's intention.

**(8) RECLASSIFICATION**

Certain amounts in the 2010 financial statements have been reclassified to conform with the 2011 presentation.