

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER
FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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 financial statements of Alzheimer's Association, New York City Chapter, which comprise the statements of financial position at June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 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, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended, in accordance 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 15, 2014

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,515,671	\$ 1,302,086
Certificates of deposit	2,029,069	2,836,325
Investments	2,819,995	4,227,978
Due from Alzheimer's Association National Office	322,378	279,143
Contributions receivable, net of allowance for doubtful accounts of \$12,104 in 2014 and \$12,874 in 2013	967,316	398,713
Accounts receivable	12,614	36,689
Other assets	219,552	223,719
Fixed assets, net	<u>3,209,536</u>	<u>3,604,589</u>
 TOTAL ASSETS	 <u>\$ 11,096,131</u>	 <u>\$ 12,909,242</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 409,698	\$ 405,219
Due to Alzheimer's Association National Office	697,440	712,994
Deferred rent	1,730,152	1,860,204
Annuity payment obligations	29,773	29,773
Deferred revenue	<u>96,575</u>	<u>72,000</u>
 TOTAL LIABILITIES	 <u>2,963,638</u>	 <u>3,080,190</u>
 COMMITMENTS AND CONTINGENCIES		
Net assets		
Unrestricted	5,626,873	8,302,351
Temporarily restricted	2,244,578	1,265,711
Permanently restricted	<u>261,042</u>	<u>260,990</u>
 TOTAL NET ASSETS	 <u>8,132,493</u>	 <u>9,829,052</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 11,096,131</u>	 <u>\$ 12,909,242</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, 2014 AND 2013

	2014				2013			
	<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	\$ 506,810	\$ 1,448,491	\$ -	\$ 1,955,301	\$ 494,181	\$ 922,534	\$ -	\$ 1,416,715
Corporate and foundations	160,137	829,413	-	989,550	328,541	597,374	-	925,915
Bequests	382,382	121,189	-	503,571	412,399	350,983	-	763,382
Special events	3,468,416	115,548	-	3,583,964	3,264,359	55,711	-	3,320,070
Less: Costs of direct benefits of special events	(305,723)	-	-	(305,723)	(279,245)	-	-	(279,245)
Revenue earned under Shared Fundraising Agreement	1,545,726	-	-	1,545,726	1,489,941	-	-	1,489,941
Less: National's portion under Shared Fundraising Agreement	(1,684,810)	-	-	(1,684,810)	(1,688,095)	-	-	(1,688,095)
Government grants	167,310	-	-	167,310	192,540	-	-	192,540
Program service revenues	46,119	-	-	46,119	31,048	-	-	31,048
Investment income (including realized gains and losses)	102,200	2,481	52	104,733	249,912	2,095	44	252,051
Unrealized gain (loss) on investments	102,994	-	-	102,994	(65,854)	-	-	(65,854)
Other revenue	40,259	-	-	40,259	78,950	-	-	78,950
Net assets released from restrictions	<u>1,538,255</u>	<u>(1,538,255)</u>	<u>-</u>	<u>-</u>	<u>2,054,352</u>	<u>(2,054,352)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, losses and other support	<u>6,070,075</u>	<u>978,867</u>	<u>52</u>	<u>7,048,994</u>	<u>6,563,029</u>	<u>(125,655)</u>	<u>44</u>	<u>6,437,418</u>
Expenses								
Program services								
Patient and family services	3,613,957	-	-	3,613,957	3,299,248	-	-	3,299,248
Public awareness and education	2,341,895	-	-	2,341,895	2,374,400	-	-	2,374,400
Public policy	226,190	-	-	226,190	190,598	-	-	190,598
Research	172,631	-	-	172,631	432,908	-	-	432,908
Supporting services								
Management and general	1,126,065	-	-	1,126,065	1,095,945	-	-	1,095,945
Fundraising	<u>1,264,815</u>	<u>-</u>	<u>-</u>	<u>1,264,815</u>	<u>1,214,703</u>	<u>-</u>	<u>-</u>	<u>1,214,703</u>
Total expenses	<u>8,745,553</u>	<u>-</u>	<u>-</u>	<u>8,745,553</u>	<u>8,607,802</u>	<u>-</u>	<u>-</u>	<u>8,607,802</u>
Change in net assets	(2,675,478)	978,867	52	(1,696,559)	(2,044,773)	(125,655)	44	(2,170,384)
Net assets, beginning of year	<u>8,302,351</u>	<u>1,265,711</u>	<u>260,990</u>	<u>9,829,052</u>	<u>10,347,124</u>	<u>1,391,366</u>	<u>260,946</u>	<u>11,999,436</u>
Net assets, end of year	<u>\$ 5,626,873</u>	<u>\$ 2,244,578</u>	<u>\$ 261,042</u>	<u>\$ 8,132,493</u>	<u>\$ 8,302,351</u>	<u>\$ 1,265,711</u>	<u>\$ 260,990</u>	<u>\$ 9,829,052</u>

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

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services				Supporting Services			Total 2014
	Patient and Family Services	Public Awareness and Education	Public Policy	Research	Management and General	Fund Raising	Cost of Direct Benefits of Special Events	
Salaries	\$ 1,510,063	\$ 786,568	\$ 117,236	\$ -	\$ 660,477	\$ 600,295	\$ -	\$ 3,674,639
Fringe benefits	394,890	198,807	30,890	-	171,598	158,519	-	954,704
Professional services and contract service payments	278,865	121,351	22,184	-	56,664	55,056	-	534,120
Supplies	59,478	112,487	1,320	-	10,071	99,066	-	282,422
Telephone	16,053	10,157	766	-	9,674	6,062	-	42,712
Postage and shipping	26,094	65,041	656	-	2,689	35,390	-	129,870
Occupancy	693,966	371,059	13,362	-	132,330	128,310	-	1,339,027
Insurance	13,116	6,707	715	-	5,025	4,825	-	30,388
Printing and publications	104,022	215,475	133	-	4,665	49,821	-	374,116
Staff development	3,088	1,636	25,805	-	2,972	958	-	34,459
Conferences	28,371	193,377	1,050	-	1,884	-	305,723	530,405
Travel	43,149	16,898	7,590	-	15,309	13,734	-	96,680
Research grants and allocations	5,160	600	-	172,631	-	-	-	178,391
Client services	190,671	79,430	-	-	-	-	-	270,101
Depreciation and amortization	241,689	127,865	4,254	-	42,427	42,103	-	458,338
Miscellaneous	5,282	34,437	229	-	10,280	70,676	-	120,904
Total expenses	3,613,957	2,341,895	226,190	172,631	1,126,065	1,264,815	305,723	9,051,276
Cost of direct benefits of special events	-	-	-	-	-	-	(305,723)	(305,723)
Total expenses reported by function on the statement of activities	\$ 3,613,957	\$ 2,341,895	\$ 226,190	\$ 172,631	\$ 1,126,065	\$ 1,264,815	\$ -	\$ 8,745,553

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

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services				Supporting Services			Total 2013
	Patient and Family Services	Public Awareness and Education	Public Policy	Research	Management and General	Fund Raising	Cost of Direct Benefits of Special Events	
Salaries	\$ 1,365,129	\$ 770,695	\$ 77,522	\$ -	\$ 636,220	\$ 600,063	\$ -	\$ 3,449,629
Fringe benefits	370,201	206,644	21,324	-	171,944	162,174	-	932,287
Professional services and contract service payments	271,615	118,384	42,322	-	63,151	46,600	-	542,072
Supplies	63,475	104,208	1,374	-	11,199	71,670	-	251,926
Telephone	14,802	8,918	355	-	9,254	5,721	-	39,050
Postage and shipping	23,516	68,474	57	-	2,911	27,321	-	122,279
Occupancy	597,820	490,415	13,836	-	103,690	77,410	-	1,283,171
Insurance	11,186	5,713	356	-	5,009	4,213	-	26,477
Printing and publications	82,498	145,566	93	-	6,238	75,389	-	309,784
Staff development	3,480	9,024	11,910	-	4,675	715	-	29,804
Conferences	47,179	202,988	350	-	8,768	9,061	279,245	547,591
Travel	48,818	24,217	17,957	-	22,303	12,739	-	126,034
Research grants and allocations	8,533	3,237	-	432,908	-	-	-	444,678
Client services	254,075	92,170	-	-	-	-	-	346,245
Bad debt	-	-	-	-	-	15,000	-	15,000
Depreciation and amortization	131,909	89,929	3,003	-	42,336	33,742	-	300,919
Miscellaneous	5,012	33,818	139	-	8,247	72,885	-	120,101
Total expenses	3,299,248	2,374,400	190,598	432,908	1,095,945	1,214,703	279,245	8,887,047
Cost of direct benefits of special events	-	-	-	-	-	-	(279,245)	(279,245)
Total expenses reported by function on the statement of activities	\$ 3,299,248	\$ 2,374,400	\$ 190,598	\$ 432,908	\$ 1,095,945	\$ 1,214,703	\$ -	\$ 8,607,802

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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,696,559)	\$ (2,170,384)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Actuarial loss on annuity obligations	3,252	3,252
Unrealized (gain) loss on investments	(102,994)	65,854
Donated stock	(26,797)	(49,880)
Bad debt	-	15,000
Deferred rent	(130,052)	163,378
Depreciation and amortization	458,338	300,919
Changes in assets (increase) decrease:		
Due from Alzheimer's Association National Office	(43,235)	(22,746)
Contributions receivable	(568,603)	(8,952)
Accounts receivable	24,075	(3,168)
Other assets	4,167	1,042,668
Changes in liabilities increase (decrease):		
Accounts payable and accrued expenses	4,479	141,879
Due to Alzheimer's Association National Office	(15,554)	(8,475)
Deferred revenue	<u>24,575</u>	<u>70,300</u>
Net cash used in operating activities	<u>(2,064,908)</u>	<u>(460,355)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	3,246,857	6,211,716
Decrease in certificates of deposit	807,256	1,001,835
Fixed asset acquisitions	(63,285)	(3,163,251)
Purchase of investments	<u>(1,709,083)</u>	<u>(3,800,484)</u>
Net cash provided by investing activities	<u>2,281,745</u>	<u>249,816</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 increase (decrease) in cash and cash equivalents	213,585	(213,791)
Cash and cash equivalents, beginning of year	<u>1,302,086</u>	<u>1,515,877</u>
Cash and cash equivalents, end of year	<u>\$ 1,515,671</u>	<u>\$ 1,302,086</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, 2014 AND 2013

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, 2014 AND 2013

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, 2014 and 2013, 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, 2014 AND 2013

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, 2014 and 2013, the Chapter has recorded an allowance for doubtful accounts of \$12,104 and \$12,874, 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

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, 2014 AND 2013

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, 2014 and 2013, 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 statements of activities. The present value of the annuities is classified as unrestricted net assets. The fair market value of the investments is \$29,025 and \$31,190 at June 30, 2014 and 2013, 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, 2014 AND 2013

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

The Chapter adopted the provisions pertaining to uncertain tax provisions of FASB ASC Topic 740, *Income Taxes*, and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Chapter is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Chapter believes it is no longer subject to income tax examinations prior to 2011.

Note 3 - Concentration of Credit Risk

The Chapter maintains cash balances in several financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per institution. From time to time, the Chapter's balances may exceed these limits.

Note 4 - Restricted Cash

The Chapter has a certificate of deposit with a bank, which is pledged as collateral for its leased property (see Note 12) and a corresponding letter of credit (see Note 14). The certificate of deposit at June 30, 2014 and 2013 was \$115,297 and \$114,105, respectively.

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.

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Note 5 - Fair Value Measurements (cont'd.)

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, 2014:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Marketable securities:				
Fixed Income - Mutual Funds	\$ 2,242,777	\$ 2,242,777	\$ -	\$ -
Equity - Mutual Funds	577,218	577,218	-	-
Total Assets Measured at Fair Value	<u>\$ 2,819,995</u>	<u>\$ 2,819,995</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents the Chapter's assets that are measured at fair value on a recurring basis at June 30, 2013:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Marketable securities:				
Fixed Income - Mutual Funds	\$ 3,428,349	\$ 3,428,349	\$ -	\$ -
Equity - Mutual Funds	791,983	791,983	-	-
Equities	7,646	7,646	-	-
Total Assets Measured at Fair Value	<u>\$ 4,227,978</u>	<u>\$ 4,227,978</u>	<u>\$ -</u>	<u>\$ -</u>

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Note 6 - Investments

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

	<u>2014</u>	<u>2013</u>
Mutual Funds	\$ 2,819,995	\$ 4,220,332
Equities	-	7,646
	<u>\$ 2,819,995</u>	<u>\$ 4,227,978</u>
Investment income consists of:		
Interest and dividend income	\$ 72,565	\$ 191,547
Realized gain	32,168	60,504
	<u>\$ 104,733</u>	<u>\$ 252,051</u>

Note 7 - Contributions Receivable

Contributions receivable, net, are due as follows:

	<u>2014</u>	<u>2013</u>
Amounts due within one year	\$ 846,420	\$ 337,587
Amounts due in one to five years	133,000	74,000
	<u>979,420</u>	<u>411,587</u>
Less: Allowance for doubtful accounts	12,104	12,874
	<u>\$ 967,316</u>	<u>\$ 398,713</u>

Note 8 - Fixed Assets

Fixed assets, net, consist of the following:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 4,122,588	\$ 4,123,839
Equipment	984,328	944,578
	<u>5,106,916</u>	<u>5,068,417</u>
Less: Accumulated depreciation and amortization	1,897,380	1,463,828
	<u>\$ 3,209,536</u>	<u>\$ 3,604,589</u>

Depreciation and amortization expense related to fixed assets amounted to \$458,338 and \$300,919 for the years ended June 30, 2014 and 2013, respectively.

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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, 2014 and 2013 was \$149,499 and \$142,750, respectively.

Note 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Patient and family services	\$ 1,790,924	\$ 821,831
Public awareness and education	412,225	388,664
Endowments	34,697	55,216
Capital grants	6,732	-
	<u>\$ 2,244,578</u>	<u>\$ 1,265,711</u>

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

	<u>2014</u>	<u>2013</u>
Patient and family services	\$ 1,016,250	\$ 780,531
Public awareness and education	311,537	388,130
Public policy	-	5,014
Appropriation of endowments	23,000	23,000
Research	172,631	432,908
Capital grants	14,837	424,769
	<u>\$ 1,538,255</u>	<u>\$ 2,054,352</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 accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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Note 11 - Endowment Funds (cont'd.)

Interpretation of Relevant Law

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.

The Chapter interprets 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* upon the passage of NYPMIFA, the Chapter is required to determine if there are any non-appropriated endowed investment earnings, and if so, it would need to reclassify them as temporarily restricted net assets.

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, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Estate of John Marshall	\$ -	\$ 7,120	\$ 53,643	\$ 60,763
Louis and Mildred Davis	-	6,648	50,000	56,648
Cappiello-Finocchiaro	-	6,907	51,949	58,856
The Baschkopf Family	-	14,022	105,450	119,472
	<u>\$ -</u>	<u>\$ 34,697</u>	<u>\$ 261,042</u>	<u>\$ 295,739</u>

Endowment Net Asset Composition by Type of Fund at June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Estate of John Marshall	\$ 4,720	\$ 11,331	\$ 53,591	\$ 69,642
Louis and Mildred Davis	4,407	10,580	50,000	64,987
Cappiello-Finocchiaro	4,579	10,992	51,949	67,520
The Baschkopf Family	9,294	22,313	105,450	137,057
	<u>\$ 23,000</u>	<u>\$ 55,216</u>	<u>\$ 260,990</u>	<u>\$ 339,206</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 23,000	\$ 55,216	\$ 260,990	\$ 339,206
Expenditures	(46,000)	-	-	(46,000)
Appropriation	23,000	(23,000)	-	-
Interest and dividends	-	2,481	52	2,533
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 34,697</u>	<u>\$ 261,042</u>	<u>\$ 295,739</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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 22,000	\$ 76,121	\$ 260,946	\$ 359,067
Expenditures	(22,000)	-	-	(22,000)
Appropriation	23,000	(23,000)	-	-
Interest and dividends	-	2,095	44	2,139
Endowment net assets, end of year	<u>\$ 23,000</u>	<u>\$ 55,216</u>	<u>\$ 260,990</u>	<u>\$ 339,206</u>

Note 12 - Lease Agreements

The Chapter leases office space under a lease with an original term of ten years, which included a six-month concession and expires in July 2016. The lease was amended in September 2011 and extended through January 2028 with a ten-month concession for the additional space leased. The lease is being amortized on the straight-line basis over the lease term. Additionally, the Chapter leases office equipment with lease payments through February 2016. The commitments are as follows:

Years Ending June 30:

2015	\$ 1,332,790
2016	1,337,428
2017	1,206,936
2018	1,256,171
2019	1,322,879
Thereafter	<u>11,914,527</u>
	<u>\$ 18,370,731</u>

Rent expense was \$1,229,804 and \$1,204,958 for the years ended June 30, 2014 and 2013, respectively. During the years ended June 30, 2014 and 2013, actual cash paid for rent was \$1,359,856 and \$1,041,580, respectively.

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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>2014</u>	<u>2013</u>
Program services	\$ 385,059	\$ 349,930
Fundraising	<u>704,934</u>	<u>636,923</u>
	<u>\$ 1,089,993</u>	<u>\$ 986,853</u>

Note 14 - Commitments and Contingencies

The Chapter has a letter of credit outstanding in the amount of \$114,883 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, 2014 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.