

**ALZHEIMER'S ASSOCIATION  
WESTERN AND CENTRAL WASHINGTON  
STATE CHAPTER**

FINANCIAL REPORT

JUNE 30, 2006

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Alzheimer's Association  
Western and Central Washington State Chapter  
Seattle, Washington

We have audited the accompanying statements of financial position of Alzheimer's Association – Western and Central Washington State Chapter as of June 30, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows 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. 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 Association – Western and Central Washington State Chapter as of June 30, 2006 and 2005, 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.

/s/ PETERSON SULLIVAN PLLC

August 17, 2006

**ALZHEIMER'S ASSOCIATION  
WESTERN AND CENTRAL WASHINGTON STATE CHAPTER**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2006 and 2005

ASSETS	<u>2006</u>	<u>2005</u>
<b>Current Assets</b>		
Cash	\$ 454,110	\$ 437,499
Investments	618,879	87,623
Contribution receivable from remainder trust		538,972
Accounts receivable	1,060	7,812
Inventory	2,075	2,075
Prepaid expenses	<u>15,930</u>	<u>11,611</u>
Total current assets	1,092,054	1,085,592
Furniture and Equipment, net of accumulated depreciation of \$165,507 in 2006 and \$157,793 in 2005	<u>22,459</u>	<u>26,465</u>
Total assets	<u><u>\$ 1,114,513</u></u>	<u><u>\$ 1,112,057</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 23,050	\$ 51,628
Advance collections for special events	<u>39,262</u>	<u>36,163</u>
Total current liabilities	62,312	87,791
<b>Net Assets</b>		
Unrestricted	1,052,201	485,294
Temporarily restricted		<u>538,972</u>
Total net assets	<u>1,052,201</u>	<u>1,024,266</u>
Total liabilities and net assets	<u><u>\$ 1,114,513</u></u>	<u><u>\$ 1,112,057</u></u>

See Notes to Financial Statements

**ALZHEIMER'S ASSOCIATION  
WESTERN AND CENTRAL WASHINGTON STATE CHAPTER**

**STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2006 and 2005**

	2006			2005		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>						
Foundations and private grants	\$ 9,000	\$ -	\$ 9,000	\$ 19,300	\$ -	\$ 19,300
State contract	39,343		39,343	20,000		20,000
Contributions	295,650		295,650	289,873		289,873
Memorials	105,348		105,348	141,551		141,551
Legacies and estates	194,006		194,006	290,443		290,443
Memory Walk and other special events	827,281		827,281	748,937		748,937
Publications sales	2,435		2,435	3,222		3,222
Change in value of contribution receivable from remainder trust		3,528	3,528		(19,313)	(19,313)
Program fees	36,063		36,063	30,306		30,306
Investment income	37,094		37,094	6,819		6,819
Unrealized gain (loss) on investments	(4,089)		(4,089)	4,892		4,892
Net assets released from restrictions	542,500	(542,500)				
<b>Total support and revenue</b>	<b>2,084,631</b>	<b>(538,972)</b>	<b>1,545,659</b>	<b>1,555,343</b>	<b>(19,313)</b>	<b>1,536,030</b>
<b>Expenses</b>						
Program services	1,160,235		1,160,235	1,053,380		1,053,380
Management and general	99,915		99,915	90,296		90,296
Fundraising	257,574		257,574	256,600		256,600
<b>Total expenses</b>	<b>1,517,724</b>		<b>1,517,724</b>	<b>1,400,276</b>		<b>1,400,276</b>
<b>Change in net assets</b>	<b>566,907</b>	<b>(538,972)</b>	<b>27,935</b>	<b>155,067</b>	<b>(19,313)</b>	<b>135,754</b>
Net assets, beginning of year	485,294	538,972	1,024,266	330,227	558,285	888,512
Net assets, end of year	<u>\$ 1,052,201</u>	<u>\$ -</u>	<u>\$ 1,052,201</u>	<u>\$ 485,294</u>	<u>\$ 538,972</u>	<u>\$ 1,024,266</u>

See Notes to Financial Statements

**ALZHEIMER'S ASSOCIATION  
WESTERN AND CENTRAL WASHINGTON STATE CHAPTER**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2006

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 618,293	\$ 31,650	\$ 33,359	\$ 683,302
Payroll taxes	52,599	2,688	2,742	58,029
Employee benefits	72,736	3,300	5,222	81,258
Professional fees	62,136	20,598	21,193	103,927
Conferences and meetings	18,405	5,709	1,827	25,941
Dues to National	54,759			54,759
Dues and subscriptions	2,011	756	367	3,134
Insurance	6,382	1,050	1,723	9,155
Rent	91,707	20,307	30,759	142,773
Supplies	35,822	5,106	48,424	89,352
Postage and shipping	27,055	431	7,060	34,546
Printing	61,012	226	21,228	82,466
Publications	3,818	224	125	4,167
Repairs	1,835	850	934	3,619
Telephone and utilities	15,855	919	2,665	19,439
Travel	16,306	1,603	3,667	21,576
Volunteer recognition and training	4,813		3,400	8,213
Depreciation	4,243	1,543	1,928	7,714
Licenses and real estate taxes	1,745	150	1,549	3,444
Bank charges		2,268	7,891	10,159
Catering	85		59,738	59,823
Contribution for hurricane relief	5,000			5,000
Other	3,618	537	1,773	5,928
<b>Total expenses</b>	<b>\$ 1,160,235</b>	<b>\$ 99,915</b>	<b>\$ 257,574</b>	<b>\$ 1,517,724</b>

See Notes to Financial Statements

**ALZHEIMER'S ASSOCIATION  
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**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2005

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 563,929	\$ 32,298	\$ 32,145	\$ 628,372
Payroll taxes	55,958	4,853	2,520	63,331
Employee benefits	47,492	2,646	2,679	52,817
Professional fees	37,926	10,925	14,460	63,311
Conferences and meetings	8,879	2,905	1,436	13,220
Dues to National	62,892			62,892
Dues and subscriptions	1,513	1,151	182	2,846
Insurance	5,355	1,335	1,540	8,230
Rent	77,130	18,883	31,152	127,165
Supplies	34,904	3,199	46,278	84,381
Postage and shipping	28,404	403	8,669	37,476
Printing	57,017	546	20,935	78,498
Publications	3,320	136	154	3,610
Repairs	4,224	2,443	1,510	8,177
Telephone and utilities	13,023	616	2,502	16,141
Travel	12,755	1,011	3,902	17,668
Volunteer recognition and training	1,788	53	4,536	6,377
Depreciation	5,463	1,987	2,483	9,933
Licenses and real estate taxes	4,017	586	1,412	6,015
Bank charges		2,831	9,421	12,252
Catering	23,746		67,890	91,636
Other	3,645	1,489	794	5,928
	<u>\$ 1,053,380</u>	<u>\$ 90,296</u>	<u>\$ 256,600</u>	<u>\$ 1,400,276</u>
Total expenses	<u>\$ 1,053,380</u>	<u>\$ 90,296</u>	<u>\$ 256,600</u>	<u>\$ 1,400,276</u>

See Notes to Financial Statements

**ALZHEIMER'S ASSOCIATION  
WESTERN AND CENTRAL WASHINGTON STATE CHAPTER**

**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2006 and 2005

	2006	2005
<b>Cash Flows from Operating Activities</b>		
Cash received from contributions, fundraising, dues, campaigns, grants and other	\$ 1,518,978	\$ 1,534,578
Interest and dividends received	37,094	6,819
Cash received from distribution of split-interest agreement	542,500	
Cash paid to employees	(684,375)	(625,736)
Cash paid to suppliers	(858,533)	(723,497)
Contributions received designated for research	91,494	100,000
Cash remitted to the National Alzheimer's Association for research	(91,494)	(100,000)
Net cash flows from operating activities	555,664	192,164
<b>Cash Flows from Investing Activities</b>		
Purchase of fixed assets	(3,707)	(28,389)
Purchase of investments	(535,346)	(2,345)
Net cash flows from investing activities	(539,053)	(30,734)
<b>Net change in cash</b>	<b>16,611</b>	<b>161,430</b>
Cash balance, beginning of year	437,499	276,069
Cash balance, end of year	\$ 454,110	\$ 437,499
<b>Reconciliation of change in net assets to net cash flows from operating activities</b>		
Change in net assets	\$ 27,935	\$ 135,754
Depreciation	7,714	9,933
Unrealized (gain) loss on investments	4,089	(4,892)
Change in value of split-interest agreement	(3,528)	19,313
Distribution of funds from split-interest agreement	542,500	
Change in operating assets and liabilities		
Prepaid expenses	(4,319)	(225)
Inventory		(1,475)
Accounts receivable	6,752	(6,753)
Accounts payable and accrued expenses	(28,578)	42,810
Advance collections for special events	3,099	(2,301)
Net cash flows from operating activities	\$ 555,664	\$ 192,164

See Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Organization and Significant Accounting Policies

#### Organization

Alzheimer's Association – Western and Central Washington State Chapter ("the Association") is a nonprofit organization which educates and supports individuals, families, and communities affected by Alzheimer's disease and related disorders.

The Association is an affiliate of the National Alzheimer's Association ("the National Association"). These financial statements include the assets, liabilities and change in net assets of the Western and Central Washington State Chapter.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

#### Financial Statement Presentation

The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association has no permanently restricted net assets, so this class of net assets is not shown on the financial statements. Contributions and certain grants that are received are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions.

#### Unrestricted Net Assets

Unrestricted net assets consist of the following at June 30:

	<u>2006</u>	<u>2005</u>
Designated net assets		
Capital improvements	\$ 50,000	\$ 50,000
Operating reserve	228,000	228,000
Direct service reserve	22,000	22,000
	<u>300,000</u>	<u>300,000</u>
Total designated net assets		
Undesignated net assets	752,201	185,294
	<u>\$ 1,052,201</u>	<u>\$ 485,294</u>

### **Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of unexpended contributions restricted for particular purposes or time periods. Temporarily restricted net assets are transferred to unrestricted net assets as expenditures are incurred for the restricted purpose, or as time restrictions are met. Temporarily restricted net assets at June 30, 2005, consisted of funds to be received from the M. Kathleen Johnson Charitable Remainder Unitrust. These funds were received in September 2005 and are not restricted, but the Association is planning to use them towards programs related to respite care.

### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **Cash**

Cash includes cash in banks and money market funds. On occasion, the Association has amounts deposited with a financial institution in excess of federally insured limits. The Association considers all short-term securities with an original maturity of three months or less to be cash.

### **Investments**

Investments are stated at market-value and consisted of the following as of June 30:

	<u>2006</u>	<u>2005</u>
Stock and bond mutual funds	\$ 93,250	\$ 87,623
Certificates of Deposit (from various financial institutions)	<u>525,629</u>	<u>          </u>
Total investments	<u>\$ 618,879</u>	<u>\$ 87,623</u>

### **Inventory**

Inventory consists of publications held for resale and is stated at the lower of cost (first-in, first-out) or market.

### **Furniture and Equipment**

Furniture and equipment is recorded at cost, if purchased, or at fair market value at the date of receipt, if donated. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Furniture and equipment is capitalized if it has a value of at least \$500 and a useful life of at least three years.

## **Donated Services**

A substantial number of unpaid volunteers have made significant contributions of their time in conjunction with Association programs and services. The value of these contributions is not included in these financial statements as the nature of these services does not meet the accounting criteria for inclusion in the financial statements.

## **Income Taxes**

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

## **Note 2. Operating Lease**

The Association has a noncancellable operating lease for its office building expiring October 31, 2008. Management anticipates extending the lease before it expires. Rent expense under this lease for the years ended June 30, 2006 and 2005, amounted to \$86,121 and \$83,381, respectively. Future payments for years ending June 30 are as follows:

2007	\$	88,591
2008	\$	91,061
2009	\$	30,628

## **Note 3. Related Party Transactions**

Annually, the National Association assesses the Association dues which are payable in quarterly installments. The assessment is based on a combination of the Association's revenue, the population the Association serves, and other factors, as defined by the National Association. Dues expense amounted to \$54,759 in 2006 and \$62,892 in 2005. Of these amounts, none and \$25,977 were still payable at June 30, 2006 and 2005, respectively.

When the Association receives contributions designated for scientific research by the contributor, the Association remits the contribution to the National Association. During the years ended June 30, 2006 and 2005, the Association remitted \$91,494 and \$100,000, respectively, designated from auction proceeds to be used for scientific research. These amounts are not included as revenue or expense in these financial statements.

In addition, during the year ended June 30, 2006, the Association contributed \$5,000 to the National Association to assist other Chapters affected by hurricanes during the 2005 hurricane season.

**Note 4. Contribution Receivable From Remainder Trust**

The Association received a contribution from the M. Kathleen Johnson Charitable Remainder Unitrust subject to a split-interest charitable remainder trust agreement ("the Agreement") in a prior year. The Agreement named the Association as the charitable beneficiary of one-half of the fair market value of the trust's assets and reached maturity on August 31, 2005. The Association received its share of the assets due under the agreement in September 2005.

**Note 5. Benefit Plan**

The Association has a 401(k) plan for employees who meet the eligibility requirements set forth in the plan. The Association matches a portion of employee contributions. The Association's contributions were \$16,049 and \$12,255 during the years ended June 30, 2006 and 2005, respectively.