ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

JUNE 30, 2008 AND 2007

LOEB & TROPER LLP

ALZHEIMER'S ASSOCIATION,
NEW YORK CITY CHAPTER

TABLE OF CONTENTS

LOEB & TROPER LLP

Independent Auditor's Report

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

We have audited the accompanying balance sheet of Alzheimer's Association, New York City Chapter (Association) as of June 30, 2008 and 2007, 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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 as of June 30, 2008 and 2007, 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.

Loeb & Troper LLP

September 9, 2008

Auditors and Consultants
Serving the Health Care & Not-for-Profit Sectors

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EXHIBIT A

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER

BALANCE SHEET

JUNE 30, 2008 AND 2007

		2008		2007
ASSETS				
Cash and cash equivalents	$	1,096,606	$	313,758
Certificates of deposit		3,366,389		2,686,982
Investments (Note 3)		1,947,918		2,217,751
Contributions receivable - net of allowance for doubtful accounts of $10,000 in 2008 and $21,167 in 2007) (Note 4)		471,606		634,261
Other receivables		193,646		173,908
Other assets		111,245		73,825
Fixed assets - net (Note 5)		1,438,278		1,598,115
Total assets	$	8,625,688	$	7,698,600
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	$	99,684	$	152,320
Deferred rent (Notes 2 and 9)		875,991		915,558
Annuity payment obligations (Note 2)		28,370		29,317
Total liabilities		1,004,045		1,097,195
Net assets (Exhibit B)				
Unrestricted		6,622,871		5,965,999
Temporarily restricted (Note 7)		738,331		397,565
Permanently restricted (Note 8)		260,441		237,841
Total net assets		7,621,643		6,601,405
Total liabilities and net assets	$	8,625,688	$	7,698,600

See independent auditor's report.

The accompanying notes are an integral part of these statements.

ALZHEIMER'S ASSOCIATION,
NEW YORK CITY CHAPTER

EXHIBIT B

STATEMENT OF ACTIVITIES

YEARS ENDED JUNE 30, 2008 AND 2007

	2007		
	emporarily Restricted	Permanently Restricted	Total
Revenues, gains, losses and other support			
Contributions			
Individuals	133,859	$ 200	$ 1,186,160
Corporate and foundations	345,000		705,441
Bequests		83,219	951,962
Special events			2,066,209
Less costs of direct benefits of special events			(153,901)
Government grants			226,877
Program service revenues			202,559
Investment income (including realized gains) (No		359	205,488
Unrealized gains (losses) on investments (Note 3)			255,733
Net assets released from restrictions (Note 7)	(451,876)		
Total revenues, gains, losses and other sup	26,983	83,778	5,646,528
Expenses and losses			
Program services			4,296,547
Supporting services			
Management and general			471,718
Fund raising			719,497
Total expenses (Exhibit C)			5,487,762
Change in net assets (Exhibit D)	26,983	83,778	158,766
Net assets - beginning of year	370,582	154,063	6,442,639
Net assets - end of year (Exhibit A)	397,565	$ 237,841	$ 6,601,405

See independent auditor's report.

The accompanying notes are an integral part of the:

LOEB & TROPER LLP

EXHIBIT C

ALZHEIMER'S ASSOCIATION,
NEW YORK CITY CHAPTER

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2008 AND 2007

	Program Services	Supporting Services: Management and General	Supporting Services: Fund Raising	Supporting Services: Cost of Direct Benefits of Special Events	Total 2008
Salaries	$ 1,586,759	$ 203,812	$ 322,355		$ 2,112,926
Fringe benefits	369,683	56,521	81,370		507,574
Professional services and contract service payments	297,136	78,926	38,022		414,084
Supplies	147,514	12,275	49,181	$ 12,269	221,239
Telephone	18,687	8,613	3,310		30,610
Postage and shipping	96,766	6,720	39,234		142,720
Occupancy	434,340	74,557	74,746		583,643
Insurance	16,652	2,817	2,705		22,174
Printing and publications	236,632	4,762	41,906	10,171	293,471
Staff development	37,096	1,998	1,846		40,940
Conferences	218,978	165	81,295	137,764	438,202
Travel	31,043	12,062	5,600		48,705
Research grants and allocations	109,976				109,976
Chapter dues	271,212				271,212
Client services	193,455				193,455
Bad debt	10,000				10,000
Depreciation and amortization	153,890	25,640	25,590		205,120
Miscellaneous	19,459	10,097	31,066		60,622
Total expenses	4,249,278	498,965	798,226	160,204	5,706,673
Cost of direct benefits of special events				(160,204)	(160,204)
Total expenses reported by function on the statement of activities (Exhibit B)	$ 4,249,278	$ 498,965	$ 798,226	$ -	$ 5,546,469

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**ALZHEIMER'S ASSOCIATION,
NEW YORK CITY CHAPTER**

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2008 AND 2007

	Program Services	Supporting Services: Management and General	Supporting Services: Fund Raising	Supporting Services: Cost of Direct Benefits of Special Events	Total 2007
Salaries	$ 1,532,399	$ 179,858	$ 310,699		$ 2,022,956
Fringe benefits	372,204	43,670	75,300		491,174
Professional services and contract service payments	280,137	76,005	12,296		368,438
Supplies	130,388	18,458	29,866	$ 11,169	189,881
Telephone	24,039	9,612	3,224		36,875
Postage and shipping	96,322	6,862	30,634		133,818
Occupancy	565,368	76,910	59,999		702,277
Insurance	16,788	2,830	2,537		22,155
Printing and publications	341,330	3,866	46,032	14,123	405,351
Staff development	35,649	5,232	2,948		43,829
Conferences	194,150	453	73,905	128,609	397,117
Travel	36,725	7,201	10,755		54,681
Research grants and allocations	61,827				61,827
Chapter dues	232,374				232,374
Client services	141,160				141,160
Bad debt	28,922				28,922
Depreciation and amortization	173,267	28,884	28,916		231,067
Moving and related contract service payments	28,192	4,699	4,699		37,590
Miscellaneous	5,306	7,178	27,687		40,171
Total expenses	4,296,547	471,718	719,497	153,901	5,641,663
Cost of direct benefits of special events				(153,901)	(153,901)
Total expenses reported by function on the statement of activities (Exhibit B)	$ 4,296,547	$ 471,718	$ 719,497	$ -	$ 5,487,762

See independent auditor's report.

The accompanying notes are an integral part of these statements.

EXHIBIT D

ALZHEIMER'S ASSOCIATION, NEW YORK CITY CHAPTER

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Cash flows from operating activities		
Change in net assets (Exhibit B)	$ 1,020,238	$ 158,766
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributions restricted for investments in endowment	(22,230)	(83,419)
Actuarial loss on annuity obligations	1,722	2,473
Unrealized loss (gain) on investments	206,350	(255,733)
Realized gain on investments		(1,079)
Depreciation and amortization	205,120	231,067
Decrease (increase) in assets		
Contributions receivable	162,655	(462,066)
Other receivables	(19,738)	(27,046)
Other assets	(37,420)	61,022
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(52,636)	(77,944)
Deferred rent	(39,567)	915,558
Deferred revenue		(5,000)
Net cash provided by operating activities	1,424,494	456,599
Cash flows from investing activities		
Fixed asset acquisitions	(45,283)	(1,731,775)
Proceeds from sale of investments	267,121	3,892,096
Purchase of investments	(203,638)	(3,124,224)
Increase in certificates of deposit	(679,407)	(31,686)
Net cash used by investing activities	(661,207)	(995,589)
Cash flows from financing activities		
Proceeds from contributions restricted for investments in endowment	22,230	83,419
Annuity obligation payments	(2,669)	(3,420)
Net cash provided by financing activities	19,561	79,999
Net increase (decrease) in cash and cash equivalents	782,848	(458,991)
Cash and cash equivalents - beginning of year	313,758	772,749
Cash and cash equivalents - end of year	$ 1,096,606	$ 313,758

See independent auditor's report.

The accompanying notes are an integral part of these statements.

NOTE 1 - NATURE 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 New York City Chapter of the Alzheimer's Association is 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 family and professional caregivers. 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.

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

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 ten 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.

Net assets - Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors. 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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Statement No. 116.

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.

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 $38,187 and $39,683 at June 30, 2008 and 2007, respectively.

Investments - Investments are stated at fair market value. The Chapter invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term based upon the markets' declines and that such changes could materially affect the Chapter's balance sheet.

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.

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ALZHEIMER'S ASSOCIATION,
NEW YORK CITY CHAPTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 3 - INVESTMENTS

	2008	2007
Mutual funds	$ 1,940,641	$ 1,958,563
Government obligations		250,224
Equities	7,277	8,964
	$ 1,947,918	$ 2,217,751
Investment income consists of:		
Interest income and dividends	$ 226,763	$ 204,409
Unrealized gain	(206,350)	255,733
Realized gain		1,079
	$ 20,413	$ 461,221

NOTE 4 - CONTRIBUTIONS RECEIVABLE

All unconditional contributions receivable have been recorded at present value and are due in one year.

NOTE 5 - FIXED ASSETS

	2008	2007	Estimated Useful Lives
Leasehold improvements	$ 1,412,916	$ 1,407,999	10 years
Equipment	384,667	344,301	3 - 7 years
	1,797,583	1,752,300	
Less accumulated depreciation and amortization	(359,305)	(154,185)	
	$ 1,438,278	$ 1,598,115	

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ALZHEIMER'S ASSOCIATION,
NEW YORK CITY CHAPTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 6 - 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, 2008 and 2007 was $87,723 and $82,136, respectively.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2008	2007
Patient/family services	$ 309,387	$ 225,594
Public awareness/education	428,944	171,971
	$ 738,331	$ 397,565

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

	2008	2007
Patient/family services	$ 189,827	$ 56,179
Public awareness/education	259,827	395,697
	$ 449,654	$ 451,876

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

The permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to fund program services. Per donor agreement, 10% of investment earnings on the investments attributable to the Estate of John Marshall remains in the permanently restricted net assets.

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NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS (continued)

The net assets are identified as follows:

	2008	2007
Estate of John Marshall	$ 53,043	$ 52,673
Louis and Mildred Davis	50,000	50,000
Cappiello-Finocchiaro	51,949	51,949
The Buschkopf Family	105,449	83,219
	$ 260,441	$ 237,841

NOTE 9 - LEASE AGREEMENT

The Chapter signed a lease for new office space in its current building in June 2006. The new lease has a term of ten years which includes a six month concession and expires in July 2016. The new lease is being amortized on the straight line basis over the lease term. The old lease terminated upon occupancy of the new office space in November 2006. The commitments are as follows:

2009	$ 607,460
2010	620,119
2011	633,063
2012	661,246
2013	675,115
Thereafter	1,906,398
Total	$ 5,103,401

Rent expense was $554,504 and $676,435 for the years ended June 30, 2008 and 2007. During 2008 and 2007, actual cash paid for rent was $594,071 and $433,537, respectively. During July through November 2006, the Chapter incurred expense for both the old and new leases.

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ALZHEIMER'S ASSOCIATION,
NEW YORK CITY CHAPTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 10 - 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, Junior Committee and the Women In Action. Joint costs were allocated between program services and fund raising as follows:

	2008	2007
Program services	$ 177,388	$ 162,744
Fund raising	357,383	346,725
	$ 534,771	$ 509,469

NOTE 11 - SUBSEQUENT EVENTS

As of July 1, 2008, the Chapter will collaborate with Alzheimer's Association National Office (National) on fund raising in the Chapter's territory and share all unrestricted contributions earned by either party in the Chapter's territory. As a result of participating in this program, the Chapter shall no longer be assessed dues.

NOTE 12 - CONCENTRATIONS

Financial instruments which potentially subject Alzheimer's Association, New York City Chapter to a concentration of credit risk are cash accounts with major financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.