

**ALZHEIMER'S DISEASE INTERNATIONAL**

**FINANCIAL STATEMENTS**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED JUNE 30, 2012 AND 2011**

**ALZHEIMER'S DISEASE INTERNATIONAL**

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# ***RUZICKA & ASSOCIATES, LTD.***

*Certified Public Accountants*

Alzheimer's Disease International

## **Independent Auditor's Report**

We have audited the accompanying statements of financial position of Alzheimer's Disease International at June 30, 2012 (including subsidiary) and 2011 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years ended June 30, 2012 and 2011. These financial statements are the responsibility of the Board'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 International at June 30, 2012 (including subsidiary) and 2011, and the results of its operations and changes in net assets, functional expenses and cash flows for the years ended June 30, 2012 and 2011 in conformity with accounting principles generally accepted in the United States of America.

January 28, 2013

*Ruzicka & Associates, Ltd.*

ALZHEIMER'S DISEASE INTERNATIONAL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

ASSETS

	2012 - Consolidated			2011		
	Unrestricted Funds	Temporarily Restricted Funds	Total	Unrestricted Funds	Temporarily Restricted Funds	Total
Cash and cash equivalents	\$ 353,497		353,497	\$ 858,070		858,070
Accounts receivable	96,598		96,598	7,674		7,674
Due from conference	261,092		261,092	218,008		218,008
Grants & contributions receivable		0	0		163,120	163,120
VAT receivable from conference	33,668		33,668	0		0
Prepaid expenses & other	93,001		93,001	107,761		107,761
Fixed assets, net of accumulated depreciation of \$36,405 in 2012 and \$44,971 in 2011	11,008		11,008	3,575		3,575
Interfund balance	(138,472)	138,472	0	(373,942)	373,942	0
Total assets	\$ 710,392	138,472	848,864	\$ 821,146	537,062	1,358,208

LIABILITIES AND NET ASSETS

Liabilities						
Accounts payable	\$ 231,554		231,554	\$ 392,328		392,328
Total liabilities	231,554	0	231,554	392,328	0	392,328
Net assets						
Unrestricted	478,838		478,838	428,818		428,818
Temporarily restricted		138,472	138,472		537,062	537,062
Total net assets	478,838	138,472	617,310	428,818	537,062	965,880
Total liabilities and net assets	\$ 710,392	138,472	848,864	\$ 821,146	537,062	1,358,208

See independent auditor's report and notes to financial statements.

**ALZHEIMER'S DISEASE INTERNATIONAL**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012 - Consolidated			2011				
	Unrestricted Funds	Temporarily Restricted Funds	Total	Percent of Support & Revenue	Unrestricted Funds	Temporarily Restricted Funds	Total	Percent of Support & Revenue
<b>Support and revenue</b>								
Dues	\$ 390,383		390,383	17.39%	\$ 354,728		354,728	13.90%
Contributions and grants	325,649	297,150	622,799	27.74%	215,699	813,261	1,028,960	40.31%
Conference revenue	1,277,735		1,277,735	56.91%	1,097,978		1,097,978	43.02%
Interest and other	248		248	0.01%	2,031		2,031	0.08%
Realized gain on investments	0	0	0	0.00%	11,924		11,924	0.47%
Unrealized gain (loss) on investments	0	0	0	0.00%	(10,203)		(10,203)	-0.40%
Gain (loss) on currency exchange transactions	(45,938)		(45,938)	-2.05%	66,958		66,958	2.62%
Net assets released from restriction:								
Satisfaction of program restrictions	695,740	(695,740)	0		495,135	(495,135)	0	
<b>Total support and revenue</b>	<b>2,643,817</b>	<b>(398,590)</b>	<b>2,245,227</b>	<b>100.00%</b>	<b>2,234,250</b>	<b>318,126</b>	<b>2,552,376</b>	<b>100.00%</b>
<b>Expenses</b>								
Program services								
Conference	1,373,594		1,373,594	61.18%	1,207,745		1,207,745	47.32%
Information	60,745		60,745	2.71%	82,388		82,388	3.23%
Member support and development	188,365		188,365	8.39%	255,761		255,761	10.02%
Promotion	731,043		731,043	32.56%	314,155		314,155	12.31%
Research	16,866		16,866	0.75%	78,649		78,649	3.08%
Total program services	2,370,612	0	2,370,612	105.58%	1,938,697	0	1,938,697	75.96%
Support services								
General administration	150,725		150,725	6.71%	154,602		154,602	6.06%
Fund raising	72,459		72,459	3.23%	85,158		85,158	3.34%
Total support services	223,184	0	223,184	9.94%	239,760	0	239,760	9.39%
<b>Total expenses</b>	<b>2,593,796</b>	<b>0</b>	<b>2,593,796</b>	<b>115.52%</b>	<b>2,178,457</b>	<b>0</b>	<b>2,178,457</b>	<b>85.35%</b>
Increase (decrease) in net assets	50,021	(398,590)	(348,569)	-15.52%	55,793	318,126	373,919	14.65%
<b>Net assets</b>								
Beginning of year	428,818	537,062	965,880		373,025	218,936	591,961	
End of year	\$ 478,838	138,472	617,310		\$ 428,818	537,062	965,880	

See independent auditor's report and notes to financial statements.

ALZHEIMER'S DISEASE INTERNATIONAL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2012

2012 - Consolidated

	Program Services			Support Services			Percent of Total		
	Conference	Information	Member Support and Development	Promotion and Awareness	Research	General Administration		Support Services Fund Raising	
Salaries and related expenses	\$ 69,112	35,694	70,963	82,047	13,822	68,803	55,063	395,504	15.25%
Grants to members	20,077		37,441	159,065		2,506	-	219,089	8.45%
Dues hardship grants						13,353		13,353	0.51%
Occupancy	8,554	4,522	8,988	9,883	1,635	8,776	6,510	48,868	1.88%
Printing	42,984	13,716	332	58,138		2,194		117,364	4.52%
Postage and delivery	1,090	5,156	1,822	22,924		1,571	69	32,632	1.26%
Insurance						1,599		1,599	0.06%
Office expense and miscellaneous	3,410		1,297	7,011		8,450	2,753	22,921	0.88%
Telephone and internet	2,632	1,368	2,154	3,585	891	5,082	1,696	17,408	0.67%
Professional fees	310,598		2,442	255,798	406	21,246		590,490	22.77%
Bad debt	45,030			759		14,033		59,822	2.31%
Conferences and meetings, including travel and accommodations	869,550		62,352	131,169		2,555	5,923	1,071,549	41.31%
Total expenses before depreciation	1,373,035	60,456	187,791	730,379	16,754	150,168	72,014	2,590,597	99.88%
Depreciation	559	289	574	664	112	557	445	3,199	0.12%
Total 2012	\$ 1,373,594	\$ 60,745	188,365	731,043	16,866	150,725	72,459	2,593,796	100.00%
Percent of Total	52.96%	2.34%	7.26%	28.18%	0.65%	5.81%	2.79%	100.00%	

See independent auditor's report and notes to financial statements.

ALZHEIMER'S DISEASE INTERNATIONAL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011

2011

	Program Services				Support Services		Percent of Total	
	Conference	Information	Member Support and Development	Promotion and Awareness	Research	Fund Raising		
						General Administration		Total
Salaries and related expenses	\$ 62,322	34,248	64,898	67,563	11,899	60,661	340,015	15.61%
Grants to members	15,428	3,000	120,429	49,760	62,552	-	251,169	11.53%
Occupancy	8,295	4,397	8,355	9,315	1,666	8,260	45,829	2.10%
Printing	46,782	14,246	2,716	69,427	-	3,688	138,247	6.35%
Postage and delivery	2,547	1,228	2,335	10,436	-	1,651	18,197	0.84%
Insurance	2,655	-	-	-	-	1,621	4,276	0.20%
Office expense and miscellaneous	51,401	616	1,659	3,586	-	8,360	65,622	3.01%
Telephone and internet	2,091	547	1,728	2,448	764	4,884	13,731	0.63%
Professional fees	323,756	20,878	6,764	41,857	-	23,597	443,287	20.35%
Bad debt	-	-	-	-	-	30,000	30,000	1.38%
Conferences and meetings, including travel and accommodations	692,277	3,127	46,685	59,549	1,730	11,690	827,032	37.96%
Total expenses before depreciation	1,207,554	82,287	255,569	313,941	78,611	154,412	2,177,404	99.95%
Depreciation	191	101	192	214	38	190	1,053	0.05%
Total 2011	\$ 1,207,745	\$ 82,388	255,761	314,155	78,649	154,602	2,178,457	100.00%
Percent of Total	55.44%	3.78%	11.74%	14.42%	3.61%	7.10%	100.00%	

See independent auditor's report and notes to financial statements.

**ALZHEIMER'S DISEASE INTERNATIONAL  
STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012 - Consolidated			2011		
	Unrestricted Funds	Temporarily Restricted Funds	Total	Unrestricted Funds	Temporarily Restricted Funds	Total
Cash flows from operating activities:						
Change in net assets	\$ 50,021	(398,590)	(348,569)	\$ 55,793	318,126	373,919
Adjustments to reconcile change in net assets to net cash provided by operating activities:						
Depreciation	3,199	-	3,199	1,053	-	1,053
Realized gain on investments	-	-	-	(11,924)	-	(11,924)
Unrealized loss (gain) on investments	-	-	-	10,203	-	10,203
Change in interfund balance	(235,470)	235,470	-	305,181	(305,181)	-
Decrease (increase) in accounts receivable	(88,924)	-	(88,924)	66,193	-	66,193
Decrease (increase) in due from conference	(43,084)	-	(43,084)	(94,785)	-	(94,785)
Decrease (increase) in grant receivable	-	163,120	163,120	-	(12,945)	(12,945)
Decrease (increase) in due from Friends of ADI	(33,668)	-	(33,668)	18,190	-	18,190
Decrease (increase) in prepaid expenses	14,760	-	14,760	11,879	-	11,879
Increase (decrease) in accounts payable	(160,774)	-	(160,774)	91,752	-	91,752
Net cash flow from operations	(493,940)	-	(493,940)	453,535	-	453,535
Investing activities						
Purchase of fixed assets	(10,632)	-	(10,632)	(4,281)	-	(4,281)
Proceeds from sales of investments	-	-	-	188,327	-	188,327
Increase in cash	(504,572)	-	(504,572)	637,581	-	637,581
Cash and cash equivalents						
Beginning of year	858,070	-	858,070	220,489	-	220,489
End of year	\$ 353,498	-	353,498	\$ 858,070	-	858,070

See independent auditor's report and notes to financial statements.



# ALZHEIMER'S DISEASE INTERNATIONAL

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

### 1. Summary of significant accounting policies:

#### **Purpose of the organization**

Alzheimer's Disease International: The International Federation of Alzheimer's Disease and Related Disorders Societies, Inc. (ADI) was incorporated in 1985 as a world wide organization to: advance the well-being of people with dementia, their families and caregivers; provide a world wide forum to foster discussion, research, education and public policy about dementia; foster the development of voluntary associations; and facilitate cooperation among international organizations.

#### **Basis of accounting**

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Revenue and expenses are recorded on the accrual basis of accounting. All contributions are considered available for unrestricted use, unless specifically restricted by the donor. Restricted grants are recognized as temporarily restricted revenue when received and transferred to the unrestricted fund when expended.

Membership dues are based on the size of the member organization. For 2012 and 2011 minimum dues ranged from \$10,600 to \$212 with the four larger members paying significantly more based on a historic percentage of their revenues. Dues are payable at the beginning of the year on July 31 for the fiscal year and are based on the prior year-end financial statements. Most computations are performed by the member organizations. In some cases, ADI computes the dues. In 2012, ADI formalized the process of accounting for dues hardships as an expense. In prior years, such dues were not accounted for separately.

#### **Fixed assets**

Furniture and equipment are recorded at cost and depreciation is provided on a straight-line basis over the estimated useful lives of three to five years.

#### **Income taxes**

Alzheimer's Disease International is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

#### **Functional expense allocation**

The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates made by management.

## **Accounting estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## **Investments**

Investments are carried at market value.

## **Principles of consolidation**

In 2012, ADI incorporated a wholly owned subsidiary to run the London conference in order to register for UK taxes. This subsidiary was used solely for the purposes of running the conference and is in the process of being dissolved. The 2012 financial statements have been prepared on a consolidated basis and include the accounts of ADI and its wholly owned subsidiary, ADI London Conference Ltd. (ALC), collectively referred to as ADI. All material inter-company accounts and transactions have been eliminated.

## **2. Net Assets:**

ADI classifies its net assets into two categories:

Unrestricted net assets include all of the unrestricted support and revenue of ADI, all of the expenses of the organization are recorded in this category and transfers from temporarily restricted net assets are made as the restrictions of the grants are met.

The Board of Directors has determined that a reserve of approximately 6 to 8 months of core functions of the organization is desirable. Core functions include maintenance of a central office, a buffer to sustain the conference and travel and activities with essential international commitments including a modest contingency. Based on current expenses, core functions are approximately \$750,000 per year resulting in a desired reserve of \$375,000 to \$500,000.

Temporarily restricted net assets include all the restricted support and revenue of ADI. Transfers are made from this fund to unrestricted net assets as expenditures are incurred which meet the restrictions of the donors.

## **3. Major support:**

ADI received approximately 64% in 2012 and 67% in 2011 of its dues revenues from two member organizations. Major gifts totaling approximately \$877,000 were received from four sources in 2012 and totaling approximately \$925,000 were received from three sources in 2011.

## **4. In kind contributions:.**

A nominal amount in expenses for telephone and related costs of the Chairman of ADI were contributed directly by the Chair in the years ended June 30, 2012 and 2011. These expenses have not been reflected in these financial statements. Travel and related expense of other Board members were also contributed directly or through sponsorships. These expenses have not been captured or reflected in these financial statements.

5. **Program activities:**

The major activities of ADI include an annual international conference; printing of educational materials (newsletter, fact sheets and booklets); assistance to members; development of new Alzheimer associations including the Alzheimer University - a program designed to strengthen the work of Alzheimer associations and World Alzheimer's Day. The international conference is coordinated and planned by the association with the assistance of a conference organizer. The 2012 conference was held in London and the 2011 conference was held in Toronto.

The following is a summary of the conference activity excluding ADI staff and administration:

	<u>2012</u>	<u>2011</u>
Support and revenue		
- Registrations, accommodations & tours	\$ 768,270	\$ 563,507
- Sponsors and contributions	<u>509,465</u>	<u>534,470</u>
Total support and revenue	1,277,735	1,097,977
Expenses		
- Grants	20,077	15,428
- Venue costs	869,550	674,807
- Professional conference administration	310,598	323,756
- Conference hosts 2010		38,843
- Other conference costs	<u>89,102</u>	<u>76,228</u>
Total expenses	<u>1,289,327</u>	<u>1,129,062</u>
Net conference contribution (loss)	<u>\$ (11,592)</u>	<u>\$ (31,065)</u>

6. **Friends of ADI:**

Friends of ADI (Friends) was created in 1999 as a United Kingdom charity to raise money for ADI. These funds are generally unrestricted in accordance with the Friends of ADI trustees. Friends gave \$0 to ADI in the year ended June 30, 2012 and approximately \$5,500 in the year ended June 30, 2011. Friends owed ADI \$0 at June 30, 2012 and 2011.

7. **Temporarily restricted net assets:**

The temporarily restricted net assets are:

	<u>2012</u>	<u>2011</u>
Restricted grants for		
- Alzheimer University	\$ 25,000	\$ 25,000
- Member support	72,573	101,190
- World Alzheimer's Day		104,979
- World Alzheimer Report		158,536
- Research		28,357
- Grants for next year		50,000
- Other Programs	<u>40,899</u>	<u>69,000</u>
	<u>\$ 138,472</u>	<u>\$ 537,062</u>

**8. Income taxes:**

ADI is a United States Charity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Financial Accounting Standards Board issued new guidance on accounting for uncertainty in income taxes. ADI adopted this new guidance for the year ended June 30, 2010. Management evaluated ADI's tax positions and concluded that ADI had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, ADI is no longer subject to income tax examinations by the U.S. federal, state or local authorities for years before December 31, 2009.

**9. Commitment for Conference and Coordinator:**

ADI has entered into a contract for the planning, administration and organization of the Annual Congresses through 2017. The agreement for the 2011 and 2012 Congresses provide for minimum fees of \$119,200 for 2012 and \$111,300 for 2011 with minimum annual payments.

Minimum annual fees are \$64,500 for 2013, \$67,700 for 2014 through 2017. These fees are subject to increases based on the Retail Price Index up to a maximum of 5% in years 2015, 2016 and 2017 with the maximum minimum fees being \$71,000 in 2015, \$74,600 in 2016 and \$78,300 in 2017. The new contract includes a cancellation clause that either party can cancel the contract without cause or penalty by giving 6 months written notice.

In addition, ADI has entered into venue commitments for 2013 conference in Taipei for approximately \$92,575.

**10. Lease Commitment:**

ADI entered into an office space lease dated May 19, 2010 and ending January 30, 2015. Minimum annual rentals are approximately \$31,500 per year including a service charge for cleaning, maintenance and utilities. The minimum annual rental for the fiscal year ending June 30, 2015 is \$18,375. Rent expense for 2012 was \$48,467 and \$31,747 in 2011.

**11. Subsequent Events:**

The Financial Accounting Standards Board (FASB) established reporting requirements for subsequent events. ADI adopted this standard as of June 30, 2010. Management has evaluated the impact of all subsequent events through January 28, 2013 the date the financial statements were available to be issued.