

ALZHEIMER'S DISEASE INTERNATIONAL

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

YEARS ENDED JUNE 30, 2013 AND 2012

ALZHEIMER'S DISEASE INTERNATIONAL

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RUZICKA & ASSOCIATES, LTD.

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors of
Alzheimer's Disease International

We have audited the accompanying financial statements of Alzheimer's Disease International, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, 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.

Auditor's 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 audits 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 Disease International as of June 30, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Ruzicka & Associates, Ltd.

Northbrook, IL
April 29, 2014

ALZHEIMER'S DISEASE INTERNATIONAL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

ASSETS

	2013 - Consolidated			2012 - Consolidated		
	Unrestricted Funds	Temporarily Restricted Funds	Total	Unrestricted Funds	Temporarily Restricted Funds	Total
Cash and cash equivalents	\$ 750,777		750,777	\$ 353,497		353,497
Accounts receivable	191,576		191,576	96,598		96,598
Due from conference	56,170		56,170	261,092		261,092
Grants & contributions receivable		436,024	436,024	-		-
VAT receivable from conference				33,668		33,668
Prepaid expenses & other	70,863		70,863	93,001		93,001
Fixed assets, net of accumulated depreciation of \$41,377 in 2013 and \$36,405 in 2012	6,036		6,036	11,008		11,008
Interfund balance	(228,817)	228,817	0	(138,472)	138,472	0
Total assets	\$ 846,605	664,841	1,511,446	\$ 710,392	138,472	848,864

LIABILITIES AND NET ASSETS

Liabilities						
Accounts payable	\$ 396,296		396,296	\$ 231,554		231,554
Total liabilities	396,296	0	396,296	231,554	0	231,554
Net assets						
Unrestricted	450,309		450,309	478,838		478,838
Temporarily restricted		664,841	664,841		138,472	138,472
Total net assets	450,309	664,841	1,115,150	478,838	138,472	617,310
Total liabilities and net assets	\$ 846,605	664,841	1,511,446	\$ 710,392	138,472	848,864

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, 2013 AND 2012

	2013 - Consolidated			2012 - Consolidated				
	Unrestricted Funds	Temporarily Restricted Funds	Total	Percent of Support & Revenue	Unrestricted Funds	Temporarily Restricted Funds	Total	Percent of Support & Revenue
Support and revenue								
Dues	\$ 397,136		397,136	15.76%	\$ 390,383		390,383	17.39%
Contributions and grants	199,770	1,151,470	1,351,240	53.62%	325,649	297,150	622,799	27.74%
Conference revenue	767,113		767,113	30.44%	1,277,735		1,277,735	56.91%
Interest and other	4,609		4,609	0.18%	248		248	0.01%
Gain (loss) on currency exchange transactions	(4)		(4)	0.00%	(45,938)		(45,938)	-2.05%
Net assets released from restriction:								
Satisfaction of program restrictions	625,101	(625,101)	0		695,740	(695,740)	0	
Total support and revenue	1,993,725	526,369	2,520,094	100.00%	2,643,817	(398,590)	2,245,227	100.00%
Expenses								
Program services								
Conference	785,141		785,141	31.16%	1,373,594		1,373,594	61.18%
Information	63,320		63,320	2.51%	60,745		60,745	2.71%
Member support and development	292,862		292,862	11.62%	188,365		188,365	8.39%
Promotion	489,428		489,428	19.42%	731,043		731,043	32.56%
Research	168,108		168,108	6.67%	16,866		16,866	0.75%
Total program services	1,798,859	0	1,798,859	71.38%	2,370,612	0	2,370,612	105.58%
Support services								
General administration	136,333		136,333	5.41%	150,725		150,725	6.71%
Fund raising	87,062		87,062	3.45%	72,459		72,459	3.23%
Total support services	223,395	0	223,395	8.86%	223,184	0	223,184	9.94%
Total expenses	2,022,254	0	2,022,254	80.25%	2,593,796	0	2,593,796	115.52%
Increase (decrease) in net assets	(28,529)	526,369	497,840	19.75%	50,021	(398,590)	(348,569)	-15.52%
Net assets								
Beginning of year	478,838	138,472	617,310		428,818	537,062	965,880	
End of year	\$ 450,309	664,841	1,115,150		\$ 478,838	138,472	617,310	

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

ALZHEIMER'S DISEASE INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

2013

	Program Services			Support Services		Percent of Total
	Information	Member Support and Development	Promotion and Awareness	General Administration	Fund Raising	
Conference						
\$	35,237	93,308	143,236	13,718	66,707	487,347
Salaries and related expenses	68,433	43,196	75,064	151,362	-	282,122
Grants to members	12,500	17,403				17,403
Dues forgiveness - hardship		9,679	14,518	1,452	6,291	48,394
Occupancy	6,775	642	70,166	562	1,028	111,369
Printing	24,909	4,620	14,242	815		27,246
Postage and delivery	3,390	1,270	427	43	185	4,721
Insurance	1,955					
Office expense and miscellaneous	18,596	2,811	6,589	333	11,616	41,262
Telephone and internet	3,432	1,142	1,696	499	5,012	13,811
Professional fees	328,323	26,994	83,642		22,902	468,458
Bad debt	23				16,007	16,030
Conferences and meetings, including travel and accommodations						
	316,107	90,851	78,391	-	10,131	499,119
Total expenses before depreciation	784,443	291,916	487,971	167,969	135,647	2,017,282
Depreciation	698	361	946	139	686	4,972
Total 2013	\$ 785,141	\$ 292,862	489,428	168,108	136,333	2,022,254
Percent of Total	38.83%	14.48%	24.20%	8.31%	6.74%	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, 2012

2012 - Consolidated

	Program Services				Support Services			Percent of Total	
	Conference	Information	Member Support and Development	Promotion and Awareness	Research	General Administration	Fund Raising		Total
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
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013 - Consolidated		2012 - Consolidated	
	Unrestricted Funds	Temporarily Restricted Funds	Unrestricted Funds	Temporarily Restricted Funds
				Total
Cash flows from operating activities:				
Change in net assets	\$ (28,529)	526,369	\$ 50,021	(398,590)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	4,972		3,199	3,199
Change in interfund balance	90,345	(90,345)	(235,470)	235,470
Decrease (increase) in accounts receivable	(94,978)		(88,924)	(88,924)
Decrease (increase) in due from conference	204,922		(43,084)	(43,084)
Decrease (increase) in grant receivable	-	(436,024)	-	163,120
Decrease (increase) in due from Friends of ADI	33,668		(33,668)	(33,668)
Decrease (increase) in prepaid expenses	22,138		14,760	14,760
Increase (decrease) in accounts payable	164,742		(160,774)	(160,774)
Net cash flow from operations	397,280	-	(493,940)	-
Investing activities				
Purchase of fixed assets	-		(10,633)	(10,633)
Proceeds from sales of investments	-		-	-
Increase in cash	397,280		(504,573)	(504,573)
Cash and cash equivalents				
Beginning of year	353,497		858,070	858,070
End of year	\$ 750,777		\$ 353,497	\$ 353,497

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

ALZHEIMER'S DISEASE INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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 2013 and 2012 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 was officially dissolved on January 28, 2014. The 2013 and 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 68% in 2013 and 64% in 2012 of its dues revenues from two member organizations. Major gifts totaling approximately \$1,114,000 were received from four sources in 2013 and totaling approximately \$877,000 were received from four sources in 2012.

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, 2013 and 2012. 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 Month. The international conference is coordinated and planned by the association with the assistance of a conference organizer. The 2013 conference was held in Taipei and the 2012 conference was held in London.

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

	<u>2013</u>	<u>2012</u>
Support and revenue		
- Registrations, accommodations & tours	\$ 275,867	\$ 768,270
- Sponsors and contributions	<u>464,334</u>	<u>509,465</u>
Total support and revenue	740,201	1,277,735
Expenses		
- Grants	12,500	20,077
- Venue costs	240,283	869,550
- Professional conference administration	328,323	310,598
- Conference host	28,237	
- Other conference costs	<u>175,799</u>	<u>89,102</u>
Total expenses	<u>785,142</u>	<u>1,289,327</u>
Net conference contribution (loss)	<u>\$ (44,941)</u>	<u>\$ (11,592)</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, 2013 and approximately \$30,600 in the year ended June 30, 2012. Friends owed ADI \$0 at June 30, 2013 and 2012.

7. **Temporarily restricted net assets:**

The temporarily restricted net assets are:

	<u>2013</u>	<u>2012</u>
Restricted grants for		
- Alzheimer University	\$ 75,000	\$ 25,000
- Member support	30,740	72,573
- World Alzheimer's Day	60,000	
- Various Alzheimer Reports	90,451	
- Regional support	315,644	
- Other Programs	<u>93,006</u>	<u>40,899</u>
	<u>\$ 664,841</u>	<u>\$ 138,472</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, 2010.

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 2013 and 2012 Congresses provide for minimum fees of \$119,200 for 2013 and \$111,300 for 2012 with minimum annual payments for future years.

Minimum annual fees are \$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 2014 conference in Puerto Rico with a minimum revenue guarantee of \$143,830.

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 2013 was \$48,393 and \$48,467 in 2012 including cleaning, maintenance and utilities.

11. Subsequent Events:

In February, ADI was informed that they would be receiving the balance of a bequest of approximately \$200,000 once the Final Accounting has been approved or within six months pursuant to Florida Statutes.

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 April 25, 2014 the date the financial statements were available to be issued.