

ALZHEIMER'S DISEASE INTERNATIONAL

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

DECEMBER 31, 2005 and 2004

ALZHEIMER'S DISEASE INTERNATIONAL

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DECEMBER 31, 2005 AND 2004

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RUZICKA & ASSOCIATES, LTD.

Certified Public Accountants

Alzheimer's Disease International
Board of Directors

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of Alzheimer's Disease International as of December 31, 2005 and 2004 and the related statements of activities and changes in net assets, statements of functional expenses and statements of cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 as of December 31, 2005 and 2004 the results of its activities and changes in net assets, functional expenses and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

February 23, 2006

Ruzicka & Associates, Ltd.

ALZHEIMER'S DISEASE INTERNATIONAL

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2005 AND 2004

ASSETS

	2005		2004	
	Unrestricted Funds	Temporarily Restricted Funds	Unrestricted Funds	Temporarily Restricted Funds
Cash and cash equivalents	\$ 91,169	91,169	\$ 144,573	144,573
Dues receivable	629	629	5,164	5,164
Due from conference	35,560	35,560	56,039	56,039
Grants receivable	226	226	67,947	67,947
Due from Friends of ADI	80,406	80,406	293,840	293,840
Investments	872,418	872,418		
Prepaid expenses & other	52,102	52,102	3,820	3,820
Fixed assets, net of accumulated depreciation of \$12,160 in 2005 and \$43,868 in 2004	37,636	37,636	12,721	12,721
Interfund balance	(7,195)	7,195	(32,785)	32,785
Total assets	\$ 1,162,951	1,170,146	\$ 551,319	584,104

LIABILITIES AND NET ASSETS

Liabilities				
Accounts payable	\$ 87,578	87,578	\$ 28,937	28,937
Total liabilities	87,578	0	28,937	0
Net assets				
Unrestricted	1,075,373	1,075,373	522,382	522,382
Temporarily restricted		7,195		32,785
Total net assets	1,075,373	7,195	522,382	32,785
Total liabilities and net assets	\$ 1,162,951	1,170,146	\$ 551,319	584,104

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 DECEMBER 31, 2005 AND 2004

	2005			2004				
	Unrestricted Funds	Temporarily Restricted Funds	Total	Percent of Support & Revenue	Unrestricted Funds	Temporarily Restricted Funds	Total	Percent of Support & Revenue
Support and revenue								
Dues	\$ 301,314		301,314	24.25%	\$ 255,623		255,623	40.95%
Contributions and grants	867,699		905,974	72.92%	119,961	45,908	165,869	26.57%
Share of conference revenue	35,560	38,275	35,560	2.86%	78,668		78,668	12.60%
Additional member support			0	0.00%	25,542	56,230	81,772	13.10%
In kind contributions - occupancy			0	0.00%	28,310		28,310	4.54%
Interest and other	13,854		13,854	1.12%	246		246	0.04%
Unrealized gain on investments	9,670		9,670	0.78%				
Gain (loss) on currency exchange transactions	(24,020)		(24,020)	-1.93%	13,729		13,729	2.20%
Net assets released from restriction:								
Satisfaction of program restrictions	63,865	(63,865)	0		69,353	(69,353)	0	
Total support and revenue	1,267,942	(25,590)	1,242,352	100.00%	591,432	32,785	624,217	100.00%
Expenses								
Program services								
Conference	129,823		129,823	10.45%	135,354		135,354	21.68%
Information	96,817		96,817	7.79%	89,813		89,813	14.39%
Member support and development	131,250		131,250	10.56%	96,099		96,099	15.40%
Promotion	95,731		95,731	7.71%	86,400		86,400	13.84%
Research	36,081		36,081	2.90%	25,121		25,121	4.02%
Total program services	489,701	0	489,701	39.42%	432,787	0	432,787	69.33%
Support services								
General administration	136,779		136,779	11.01%	91,017		91,017	14.58%
Fund raising	88,471		88,471	7.12%	57,390		57,390	9.19%
Total support services	225,250	0	225,250	18.13%	148,407	0	148,407	23.77%
Total expenses	714,951	0	714,951	57.55%	581,194	0	581,194	93.11%
Increase (decrease) in net assets	552,991	(25,590)	527,401	42.45%	10,238	32,785	43,023	6.89%
Net assets								
Beginning of year	522,382	32,785	555,167		512,144	0	512,144	
End of year	\$ 1,075,373	7,195	1,082,568		\$ 522,382	32,785	555,167	

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

ALZHEIMER'S DISEASE INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2005
(With comparative totals for 2004)

	2005										Percent of Total
	Conference	Information	Program Services Member Support and Development	Promotion and Awareness	Research	General Administration	Support Services Fund Raising	Total	Percent of Total	Total 2004	
Salaries and related expenses	\$ 53,248	61,173	67,599	57,040	3,976	59,121	23,947	326,104	45.61%	\$ 269,289	46.19%
Grants to members	28,099		17,923	7,572	29,800			83,394	11.66%	74,050	12.70%
Occupancy including donated space	10,193	11,710	13,868	12,069	687	13,617	4,527	66,671	9.33%	43,488	7.46%
Printing	17	11,818		6,795	179	8,144	1,567	28,520	3.99%	34,253	5.88%
Postage and delivery	3,024	8,098	2,514	2,867	164	1,801	494	18,962	2.65%	20,239	3.47%
Office expense and miscellaneous	9,604	1,661	3,165	2,020	210	7,355	1,492	25,507	3.57%	14,366	2.46%
Telephone and internet	975	975	975	975	975	1,498	975	7,348	1.03%	6,421	1.10%
Professional fees			3,819	4,073		16,857	51,251	76,000	10.63%	49,096	8.42%
Conferences and meetings, including travel and accommodations	23,460		19,860	1,032		27,051	3,677	75,080	10.50%	66,102	11.34%
Total expenses before depreciation	128,620	95,435	129,723	94,443	35,991	135,444	87,930	707,586	98.97%	577,304	99.03%
Depreciation	1,203	1,382	1,527	1,288	90	1,335	541	7,365	1.03%	5,683	0.97%
Total 2005	\$ 129,823	96,817	131,250	95,731	36,081	136,779	88,471	714,951	100.00%		
Percent of Total	18.16%	13.54%	18.36%	13.39%	5.05%	19.13%	12.37%	100.00%			
Total 2004	\$ 135,354	89,813	96,099	86,400	25,121	91,017	57,390			\$ 582,987	100.00%
Percent of Total	23.22%	15.41%	16.48%	14.82%	4.31%	15.61%	9.84%			100.00%	

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

ALZHEIMER'S DISEASE INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2004
(With comparative totals for 2003)

	2004										Percent of Total
	Program Services					Support Services					
	Conference	Information	Member Support and Development	Promotion and Awareness	Research	Administration	General	Fund Raising	Total	Percent of Total	
Salaries and related expenses	\$ 40,587	54,610	49,035	55,244	3,292	48,460	18,061	269,289	46.33%	\$ 209,752	38.48%
Grants to members	40,650		12,775		20,625			74,050	12.74%	39,463	7.24%
Occupancy including donated space	5,995	8,179	7,314	8,262	222	10,985	2,531	43,488	7.48%	47,109	8.64%
Printing	3,143	14,434	436	9,132	29	5,174	1,905	34,253	5.89%	33,846	6.21%
Postage and delivery	3,395	10,700	1,076	2,753		2,269	46	20,239	3.48%	24,821	4.55%
Office expense and miscellaneous	3,865	455	958	1,684	259	6,061	1,084	14,366	2.47%	10,538	1.93%
Telephone and internet	700	646	646	751	646	2,386	646	6,421	1.10%	8,384	1.54%
Professional fees	1,893		4,056			11,461	31,686	49,096	8.45%	26,954	4.95%
Conferences and meetings, including travel and accommodations	34,540		19,095	7,776		3,521	1,170	66,102	11.37%	138,495	25.41%
Total expenses before depreciation	134,768	89,024	95,391	85,602	25,073	90,317	57,129	577,304	99.33%	539,362	98.96%
Depreciation	586	789	708	798	48	700	261	3,890	0.67%	5,683	1.04%
Total 2004	\$ 135,354	89,813	96,099	86,400	25,121	91,017	57,390	581,194	100.00%		
Percent of Total	23.29%	15.45%	16.53%	14.87%	4.32%	15.66%	9.87%	100.00%			
Total 2003	\$ 187,291	74,231	81,973	74,376	24,184	72,616	30,374			\$ 545,045	100.00%
Percent of Total	34.36%	13.62%	15.04%	13.65%	4.44%	13.32%	5.57%			100.00%	

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

ALZHEIMER'S DISEASE INTERNATIONAL
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005		2004	
	Unrestricted Funds	Temporarily Restricted Funds	Unrestricted Funds	Temporarily Restricted Funds
		Total		Total
Cash flows from operating activities:				
Change in net assets	\$ 552,991	(25,590)	\$ 10,238	32,785
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	7,365		3,890	3,890
Change in interfund balance	(25,590)	7,365	32,785	(32,785)
Decrease (increase) in dues receivable	4,535	4,535	(2,664)	(2,664)
Decrease (increase) in due from conference	20,479	20,479	(49,339)	(49,339)
Decrease (increase) in grant receivable	67,721	67,721	(47,947)	(47,947)
Decrease (increase) in due from Friends of ADI	213,434	213,434	(48,542)	(48,542)
Decrease (increase) in prepaid expenses	(48,282)	(48,282)	(3,820)	(3,820)
Increase (decrease) in accounts payable	58,641	58,641	(73,255)	(73,255)
Net cash flow from operations	851,294	851,294	(178,654)	(178,654)
Investing activities				
Purchase of fixed assets	(32,280)	(32,280)	(12,823)	(12,823)
Purchase of investments	(872,418)	(872,418)		
Increase in cash	(53,404)	(53,404)	(191,477)	(191,477)
Cash and cash equivalents				
Beginning of year	144,573	144,573	336,050	336,050
End of year	\$ 91,169	\$ 91,169	\$ 144,573	\$ 144,573

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

ALZHEIMER'S DISEASE INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 and 2004

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 generally accepted accounting principles as set forth in the Financial Accounting Standards Board Statements 116 and 117. 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.

Dues are computed as a percentage of members' unrestricted revenues. Minimum dues are generally \$1,000, \$500 or \$100 depending on the income of the country. Dues are payable July 31 for the calendar year end and are based on the prior year-end financial statements. All computations are performed by the member organizations.

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

Expenses have been allocated to program and supporting services 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.

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.

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 receives approximately 70% (72% in 2004) of its dues revenues from two member organizations. Major contributions were received from three sources in 2005 and in 2004. In 2004, three member organizations made additional voluntary contributions to ADI. One of these gifts was a matching gift all of which has been met. In 2005, ADI received an unusual gift of approximately \$844,000 from an anonymous donor. They also received a bequest of approximately \$68,600 through Friends of ADI.

4. In kind contributions:

In 2004 ADI received \$28,310 of in-kind contributions from the Alzheimer's Society (England, Wales and Northern Ireland) in the form of rent and office support. This gift has been recorded as a contribution and as occupancy expense in the accompanying financial statements.

Approximately \$5,000 in expenses for travel, telephone and related costs of the Chairman of ADI were contributed directly or through sponsorships in 2005. In 2004 the Chairman of ADI contributed approximately \$15,000 in similar expenses. 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 conference is coordinated and planned by a member country with the approval of a conference proposal by the ADI board. The 2005 conference was held in Turkey and in 2004 was held in Japan. The conference expenses are primarily for travel assistance for people to attend the conference and registration and accommodation for the staff and Chairman to attend the conference. ADI receives a share of the conference revenues, which amounted to \$35,560 in 2005 and \$78,668 in 2004.

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 raised approximately \$11,700 in 2005 (\$19,800 in 2004) and received notice of a legacy of \$68,600 in 2005.

7. **Reclassifications:**

Certain amounts in the 2004 financial statements have been reclassified to agree to the 2005 presentation.

8. **Commitment:**

ADI relocated its offices in February 2005. As part of the relocation, ADI entered into a 5 year lease agreement for office space. Minimum annual rentals are approximately \$36,000 per year including a service charge.