

ALZHEIMER'S DISEASE INTERNATIONAL

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

DECEMBER 31, 2006 and 2005

ALZHEIMER'S DISEASE INTERNATIONAL

TABLE OF CONTENTS

DECEMBER 31, 2006 AND 2005

Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expenses:	
For the year ended 2006	4
For the year ended 2005	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 10

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, 2006 and 2005 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, 2006 and 2005 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.

Ruzicka & Associates, Ltd.

May 4, 2007

ALZHEIMER'S DISEASE INTERNATIONAL

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2006 AND 2005

ASSETS

	2006			2005		
	Unrestricted Funds	Temporarily Restricted Funds	Total	Unrestricted Funds	Temporarily Restricted Funds	Total
Cash and cash equivalents	\$ 107,007		107,007	\$ 91,169		91,169
Dues receivable	629		629	629		629
Due from conference	55,380		55,380	35,560		35,560
Grants receivable		35,000	35,000	226		226
Due from Friends of ADI	105,365		105,365	80,406		80,406
Investments	601,810		601,810	872,418		872,418
Prepaid expenses & other	13,413		13,413	52,102		52,102
Fixed assets, net of accumulated depreciation of \$22,278 in 2006 and \$12,160 in 2005	18,213		18,213	37,636		37,636
Interfund balance	0		0	-7,195	7,195	0
Total assets	\$ 901,817	35,000	936,817	\$ 1,162,951	7,195	1,170,146

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 56,355		56,355	\$ 87,578		87,578
Total liabilities	56,355	0	56,355	87,578	0	87,578

Net assets

Unrestricted	845,462		845,462	1,075,373		1,075,373
Temporarily restricted		35,000	35,000		7,195	7,195
Total net assets	845,462	35,000	880,462	1,075,373	7,195	1,082,568
Total liabilities and net assets	\$ 901,817	35,000	936,817	\$ 1,162,951	7,195	1,170,146

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, 2006 AND 2005

	2006			Percent of Support & Revenue	2005			Percent of Support & Revenue
	Unrestricted Funds	Temporarily Restricted Funds	Total		Unrestricted Funds	Temporarily Restricted Funds	Total	
Support and revenue								
Dues	\$ 313,409		313,409	49.73%	\$ 301,314		301,314	24.25%
Contributions and grants	46,527	44,204	90,731	14.40%	867,699	38,275	905,974	72.92%
Share of conference revenue	53,001		53,001	8.41%	35,560		35,560	2.86%
Additional member support			0	0.00%			0	0.00%
In kind contributions	29,856		29,856	4.74%			0	0.00%
Interest and other	19,997		19,997	3.17%	13,854		13,854	1.12%
Unrealized gain on investments	-3,073		-3,073	-0.49%	9,670		9,670	0.78%
Gain (loss) on currency exchange transactions	126,340		126,340	20.05%	-24,020		-24,020	-1.93%
Net assets released from restriction:								
Satisfaction of program restrictions	16,399	-16,399	0		63,865	-63,865	0	
Total support and revenue	<u>602,456</u>	<u>27,805</u>	<u>630,261</u>	<u>100.00%</u>	<u>1,267,942</u>	<u>-25,590</u>	<u>1,242,352</u>	<u>100.00%</u>
Expenses								
Program services								
Conference	125,255		125,255	19.87%	129,823		129,823	10.45%
Information	97,430		97,430	15.46%	96,817		96,817	7.79%
Member support and development	188,315		188,315	29.88%	131,250		131,250	10.56%
Promotion	163,756		163,756	25.98%	95,731		95,731	7.71%
Research	10,575		10,575	1.68%	36,081		36,081	2.90%
Total program services	<u>585,332</u>	<u>0</u>	<u>585,332</u>	<u>92.87%</u>	<u>489,701</u>	<u>0</u>	<u>489,701</u>	<u>39.42%</u>
Support services								
General administration	170,724		170,724	27.09%	136,779		136,779	11.01%
Fund raising	76,311		76,311	12.11%	88,471		88,471	7.12%
Total support services	<u>247,035</u>	<u>0</u>	<u>247,035</u>	<u>39.20%</u>	<u>225,250</u>	<u>0</u>	<u>225,250</u>	<u>18.13%</u>
Total expenses	<u>832,367</u>	<u>0</u>	<u>832,367</u>	<u>132.07%</u>	<u>714,951</u>	<u>0</u>	<u>714,951</u>	<u>57.55%</u>
Increase (decrease) in net assets	-229,911	27,805	-202,106	-32.07%	552,991	-25,590	527,401	42.45%
Net assets								
Beginning of year	<u>1,075,373</u>	<u>7,195</u>	<u>1,082,568</u>		<u>522,382</u>	<u>32,785</u>	<u>555,167</u>	
End of year	<u>\$ 845,462</u>	<u>35,000</u>	<u>880,462</u>		<u>\$ 1,075,373</u>	<u>7,195</u>	<u>1,082,568</u>	

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

ALZHEIMER'S DISEASE INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006
(With comparative totals for 2005)

	2006								Percent of Total	Total 2005	Percent of Total
	Program Services					Support Services		Total			
	Conference	Information	Member Support and Development	Promotion and Awareness	Research	General Administration	Fund Raising				
Salaries and related expenses	\$ 68,233	50,795	64,088	60,845	4,423	81,983	28,727	359,094	43.14%	\$ 326,104	45.61%
Grants to members	15,918		31,201	11,221	2,661	2,074		63,075	7.58%	83,394	11.66%
Occupancy including	10,828	8,061	10,170	9,655	702	13,010	4,559	56,984	6.85%	66,671	9.33%
Printing	927	21,959	1,976	13,512	-	1,600	-	39,974	4.80%	28,520	3.99%
Postage and delivery	1,522	10,978	877	4,225	200	1,137	576	19,515	2.34%	18,962	2.65%
Office expense and miscellaneous	3,361	2,127	3,517	5,607	212	7,953	2,942	25,718	3.09%	25,507	3.57%
Telephone and internet	763	763	763	1,613	763	1,742	763	7,170	0.86%	7,348	1.03%
Professional fees	-		1,511	17,195		13,422	31,500	63,628	7.64%	76,000	10.63%
Conferences and meetings, including travel and accommodations	20,013		70,746	36,592	1,375	43,369	5,691	177,786	21.36%	75,080	10.50%
Total expenses before depreciation	121,565	94,683	184,849	160,465	10,335	166,290	74,758	812,944	97.67%	707,586	98.97%
Depreciation	3,691	2,747	3,466	3,291	239	4,434	1,554	19,423	2.33%	7,365	1.03%
Total 2006	\$ 125,255	97,430	188,315	163,756	10,575	170,724	76,311	832,367	100.00%		
Percent of Total	15.05%	11.71%	22.62%	19.67%	1.27%	20.51%	9.17%	100.00%			
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%	

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							Total	Percent of Total	Total 2004	Percent of Total
	Program Services				Support Services						
	Conference	Information	Member Support and Development	Promotion and Awareness	Research	General Administration	Fund Raising				
Salaries and related expenses	\$ 53,248	61,173	67,599	57,040	3,976	59,121	23,947	326,104	45.61%	\$ 269,289	46.33%
Grants to members	28,099		17,923	7,572	29,800			83,394	11.66%	74,050	12.74%
Occupancy including donated space	10,193	11,710	13,868	12,069	687	13,617	4,527	66,671	9.33%	43,488	7.48%
Printing	17	11,818		6,795	179	8,144	1,567	28,520	3.99%	34,253	5.89%
Postage and delivery	3,024	8,098	2,514	2,867	164	1,801	494	18,962	2.65%	20,239	3.48%
Office expense and miscellaneous	9,604	1,661	3,165	2,020	210	7,355	1,492	25,507	3.57%	14,366	2.47%
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	8.45%
Conferences and meetings, including travel and accommodations	23,460		19,860	1,032		27,051	3,677	75,080	10.50%	66,102	11.37%
Total expenses before depreciation	128,620	95,435	129,723	94,443	35,991	135,444	87,930	707,586	98.97%	577,304	99.33%
Depreciation	1,203	1,382	1,527	1,288	90	1,335	541	7,365	1.03%	3,890	0.67%
Total 2005	<u>\$ 129,823</u>	<u>96,817</u>	<u>131,250</u>	<u>95,731</u>	<u>36,081</u>	<u>136,779</u>	<u>88,471</u>	<u>714,951</u>	<u>100.00%</u>		
Percent of Total	<u>18.16%</u>	<u>13.54%</u>	<u>18.36%</u>	<u>13.39%</u>	<u>5.05%</u>	<u>19.13%</u>	<u>12.37%</u>	<u>100.00%</u>			
Total 2004	<u>\$ 135,354</u>	<u>89,813</u>	<u>96,099</u>	<u>86,400</u>	<u>25,121</u>	<u>91,017</u>	<u>57,390</u>			<u>\$ 581,194</u>	<u>100.00%</u>
Percent of Total	<u>23.29%</u>	<u>15.45%</u>	<u>16.53%</u>	<u>14.87%</u>	<u>4.32%</u>	<u>15.66%</u>	<u>9.87%</u>			<u>100.00%</u>	

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

ALZHEIMER'S DISEASE INTERNATIONAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006			2005		
	Unrestricted Funds	Temporarily Restricted Funds	Total	Unrestricted Funds	Temporarily Restricted Funds	Total
Cash flows from operating activities:						
Change in net assets	\$ (229,911)	27,805	(202,106)	\$ 552,991	(25,590)	527,401
Adjustments to reconcile change in net assets to net cash provided by operating activities:						
Depreciation	19,423		19,423	7,365		7,365
Unrealized loss (gain) on investments	3,073		3,073	(9,670)		(9,670)
Change in interfund balance	(7,195)	7,195		(25,590)	25,590	
Decrease (increase) in dues receivable	-		-	4,535		4,535
Decrease (increase) in due from conference	(19,820)		(19,820)	20,479		20,479
Decrease (increase) in grant receivable	226	(35,000)	(34,774)	67,721		67,721
Decrease (increase) in due from Friends of ADI	(24,959)		(24,959)	213,434		213,434
Decrease (increase) in prepaid expenses	38,689		38,689	(48,282)		(48,282)
Increase (decrease) in accounts payable	(31,223)		(31,223)	58,641		58,641
Net cash flow from operations	(251,697)		(251,697)	841,624		841,624
Investing activities						
Purchase of fixed assets			-	(32,280)		(32,280)
Purchase of investments			-	(862,748)		(862,748)
Proceeds from sales of investments	267,535		267,535			-
Increase in cash	15,838		15,838	(53,404)		(53,404)
Cash and cash equivalents						
Beginning of year	91,169		91,169	144,573		144,573
End of year	\$ 107,007		107,007	91,169		91,169

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

ALZHEIMER'S DISEASE INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

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 69% (70% in 2005) of its dues revenues from two member organizations. No major contributions were received in 2006 and three major contributions were received in 2005. 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 2006 ADI received \$29,856 of in-kind contributions for the Alzheimer's University Program in the form of conference space. This gift has been recorded as a contribution and as a cost of the Alzheimer's University expense in the accompanying financial statements.

A nominal amount in expenses for telephone and related costs of the Chairman of ADI were contributed directly by the Chair in 2006. In 2005 the Chairman of ADI contributed approximately \$5,000 in travel, telephone and related expenses, primarily through corporate sponsorships. 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 a member country with the approval of a conference proposal by the ADI board. The 2006 conference was held in Berlin and in 2005 was held in Turkey. 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 approximately \$55,380 in 2006 and \$35,560 in 2005.

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 \$14,000 in 2006 (\$11,700 in 2005) and received notice of a legacy of \$68,600 in 2005. Friends owed ADI \$105,365 at December 31, 2006 and \$80,406 at December 31, 2005.

7. **Reclassifications:**

Certain amounts in the 2006 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.

9. **Investments:**

Investments are composed of the following at December 31, 2006:

	Cost	Market	Unrealized Gain (loss)	Investment Income
Money Market and Cash equivalents	\$ 206,708	206,708	0	11,145
Mutual funds	387,140	395,102	7,962	3,709
	<u>\$ 593,848</u>	<u>601,810</u>	<u>7,962</u>	<u>14,854</u>

Investments are composed of the following at December 31, 2005:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (loss)</u>	<u>Investment Income</u>
Money Market and Cash equivalents	\$ 604,945	604,945	0	8,214
Mutual funds	<u>254,414</u>	<u>264,083</u>	<u>9,669</u>	<u>1,821</u>
	<u>\$ 859,359</u>	<u>872,418</u>	<u>9,669</u>	<u>10,035</u>

10. Temporarily restricted net assets:

The temporarily restricted net assets are:

	<u>2006</u>	<u>2005</u>
Restricted grants for		
- Alzheimer University	\$ 35,000	\$
- Conference	<u> </u>	<u>7,195</u>
	<u>\$ 35,000</u>	<u>\$ 7,195</u>