

**Alzheimer's Drug Discovery Foundation**

**Financial Statements  
Together with Independent  
Auditor's Report**

**December 31, 2019**

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## BENCIVENGA WARD & COMPANY, CPA's, P.C.

*A Registered Professional Services Firm*

### **Independent Auditor's Report**

#### **To the Board of Governors of Alzheimer's Drug Discovery Foundation:**

We have audited the accompanying financial statements of the Alzheimer's Drug Discovery Foundation (a not-for-profit organization) ("Foundation"), which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, functional expenses and cash flows for the year 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 of 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 audit. We conducted our audit 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 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of Alzheimer's Drug Discovery Foundation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



# BENCIVENGA WARD & COMPANY, CPA's, P.C.

*A Registered Professional Services Firm*

## Report on Summarized Comparative Information

We have previously audited the Foundation's 2018 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 31, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Bencivenga Ward & Company, CPAs, P.C.*

**BENCIVENGA WARD & COMPANY, CPA's, P.C.**

Valhalla, New York  
August 10, 2020

# ALZHEIMER'S DRUG DISCOVERY FOUNDATION

## STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019 (With Comparative Amounts For 2018)

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 31,201,758	\$ 6,688,572
Investments, at fair value	43,655,426	47,708,468
Contributions receivable	22,155,205	35,523,444
Other assets	163,175	117,739
<b>Total assets</b>	<b>97,175,564</b>	<b>90,038,223</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	215,799	12,203
Grants payable	46,629,104	29,988,071
Due to Institute for the Study of Aging, Inc.	5,362	168
Deferred revenue	108,331	103,900
<b>Total liabilities</b>	<b>46,958,596</b>	<b>30,104,342</b>
<b>Net Assets</b>		
Without donor restrictions	22,108,235	24,729,290
With donor restrictions	28,108,733	35,204,591
<b>Total net assets</b>	<b>50,216,968</b>	<b>59,933,881</b>
<b>Total liabilities and net assets</b>	<b>\$ 97,175,564</b>	<b>\$ 90,038,223</b>

The accompanying notes are an integral part of this statement.

**ALZHEIMER'S DRUG DISCOVERY FOUNDATION**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(With Comparative Totals For 2018)**

	<b>2019</b>			<b>2018</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Total</b>
<b>Support and Revenues</b>				
Support:				
Contributions and grants	\$ 8,990,901	\$ 6,512,230	\$ 15,503,131	\$ 50,110,430
In-kind services and contributions-				
Contribution of services from the Institute for the				
Study of Aging, Inc.	4,016,995	-	4,016,995	3,665,626
Proceeds from special events, net of direct expenses	3,944,614		3,944,614	4,043,790
Net assets released from restrictions	13,568,366	(13,568,366)	-	-
Revenues:				
Grant returns	2,281,823	(39,722)	2,242,101	1,133,269
Conference registration fees and other income	74,504	-	74,504	151,293
Investment income	948,041	-	948,041	378,458
<b>Total support and revenues</b>	<b>33,825,244</b>	<b>(7,095,858)</b>	<b>26,729,386</b>	<b>59,482,866</b>
<b>Expenses</b>				
Program services:				
Grants	30,307,505	-	30,307,505	18,468,664
Unexecuted prior year grants	-	-	-	(3,824,811)
Other	3,211,623	-	3,211,623	2,445,626
<b>Total program services</b>	<b>33,519,128</b>	<b>-</b>	<b>33,519,128</b>	<b>17,089,479</b>
Supporting services:				
Fund raising	1,721,880	-	1,721,880	1,817,730
Management and general	1,205,291	-	1,205,291	949,103
<b>Total supporting services</b>	<b>2,927,171</b>	<b>-</b>	<b>2,927,171</b>	<b>2,766,833</b>
<b>Total expenses</b>	<b>36,446,299</b>	<b>-</b>	<b>36,446,299</b>	<b>19,856,312</b>
<b>Change in net assets</b>	<b>(2,621,055)</b>	<b>(7,095,858)</b>	<b>(9,716,913)</b>	<b>39,626,554</b>
<b>Net assets, beginning of year</b>	<b>24,729,290</b>	<b>35,204,591</b>	<b>59,933,881</b>	<b>20,307,327</b>
<b>Net assets, end of year</b>	<b>\$ 22,108,235</b>	<b>\$ 28,108,733</b>	<b>\$ 50,216,968</b>	<b>\$ 59,933,881</b>

The accompanying notes are an integral part of this statement.

# ALZHEIMER'S DRUG DISCOVERY FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019 (With Comparative Totals For 2018)

	2019							
	Program Services			Supporting Services			Total Expenses	
	Core	Diagnostic's Accelerator	Total Program Services	Fund Raising	Management and General	Total Supporting Services	2019	2018
Grants	\$ 14,892,942	\$15,414,563	\$30,307,505	\$ -	\$ -	\$ -	\$30,307,505	\$ 18,468,664
Unexecuted prior year grants	-	-	-	-	-	-	-	(3,824,811)
Other expenses -								
Salaries, payroll taxes and employee benefits	1,810,010	251,859	2,061,869	1,228,972	972,575	2,201,547	4,263,416	3,710,247
Website design, public relations and rebranding	3,908	-	3,908	80,183	2,092	82,275	86,183	81,210
Professional fees	390,067	6,063	396,130	81,676	70,680	152,356	548,486	335,370
Research, honorarium and internships	12,962	7,500	20,462	-	-	-	20,462	19,785
Communications and publications	242,632	75,335	317,967	68,924	-	68,924	386,891	110,169
Occupancy	148,552	3,032	151,584	91,801	81,121	172,922	324,506	334,034
Sponsored conferences, meetings and travel	113,345	825	114,170	77,129	2,010	79,139	193,309	248,853
Office	143,659	1,874	145,533	93,195	76,813	170,008	315,541	372,791
Total other expenses	2,865,135	346,488	3,211,623	1,721,880	1,205,291	2,927,171	6,138,794	5,212,459
<b>Total expenses</b>	<b>\$ 17,758,077</b>	<b>\$15,761,051</b>	<b>\$33,519,128</b>	<b>\$ 1,721,880</b>	<b>\$ 1,205,291</b>	<b>\$ 2,927,171</b>	<b>\$36,446,299</b>	<b>\$ 19,856,312</b>

The accompanying notes are an integral part of this statement.

**ALZHEIMER'S DRUG DISCOVERY FOUNDATION**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(With Comparative Amounts For 2018)**

	<b>2019</b>	<b>2018</b>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (9,716,913)	\$ 39,626,554
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities-		
Donated securities	(6,981,851)	(8,901,242)
Realized and unrealized (gain) on investments, net	(95,531)	(280,073)
Changes in operating assets and liabilities-		
Decrease (increase) in contributions receivable	13,368,239	(20,620,568)
Decrease in Due to the Institute for the Study of Aging, Inc.	5,194	86,929
(Increase) decrease in other assets	(45,436)	13,204
Increase (decrease) in accounts payable and accrued liabilities	203,596	(21,365)
Increase in grants payable	16,641,033	4,554,804
Increase (decrease) in deferred revenue	4,431	(95,347)
<b>Net cash provided by operating activities</b>	<b>13,382,762</b>	<b>14,362,896</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	176,667,751	103,773,059
Purchases of investments	(165,537,327)	(115,729,085)
<b>Net cash flows provided (used) by investing activities</b>	<b>11,130,424</b>	<b>(11,956,026)</b>
<b>Net change in cash and cash equivalents</b>	<b>24,513,186</b>	<b>2,406,870</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>6,688,572</b>	<b>4,281,702</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 31,201,758</b>	<b>\$ 6,688,572</b>

The accompanying notes are an integral part of this statement.



**1. ORGANIZATION**

Alzheimer's Drug Discovery Foundation ("Foundation") is a not-for-profit, tax-exempt organization incorporated in Delaware in April 2004 to rapidly accelerate the discovery of drugs to prevent and treat Alzheimer's disease and related dementias.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements of the Foundation have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net assets classifications:

**Net assets without donor restrictions:**

Net assets that are not subject to donor-imposed restrictions and may be expended for the purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and board of governors.

**Net assets with donor restrictions:**

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities.

**Tax Status**

The Foundation is exempt from federal income taxes under Section 501(a) of the United States Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3) and has been classified as an organization that is not a private foundation under Section 509(a) of the Code. Contributions to the Foundation are tax deductible within the limits prescribed by the Code. The Foundation is also exempt from state and local income taxes.

The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions; and to review other matters that may be considered tax positions.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- (continued)****Income Taxes**

The Foundation is subject to the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 740-10-05 relating to accounting and reporting for uncertainty in income taxes. This requires management to evaluate tax positions taken and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Due to the Foundation's general not-for-profit status, management believes there are no tax positions that would have a material impact on its financial statements.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Due to the expiration of the statute of limitations, the Foundation is no longer subject to income tax examinations for years prior to 2016.

**Investments**

The Foundation has an investment policy in compliance with the New York State Prudent Management of Institutional Funds Act. Investments in equity and fixed-income securities and mutual funds are reported at their fair values, based on quoted market prices in active markets at the published market closing prices at the Statement of Financial Position date.

Gains and losses on securities are determined by a comparison of specific costs at acquisition to proceeds at the time of disposal, or to the fair values at year end, and are reported in the accompanying Statement of Activities. Purchases and sales of securities are reflected on a trade-date basis. Dividend and interest income are recognized when earned.

Donated securities are recorded at their fair values at the dates of donation and are sold as expeditiously as possible, upon receipt.

**Contributions and Grants**

The Foundation records contributions of cash and other assets when received or when the unconditional promise to give such assets is received from the donor. Contributions are recorded at the fair value of the assets received and are classified as net assets without donor restrictions and net assets with donor restrictions, based on the existence and/or nature of donor restrictions. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period in which they are received are reported as without donor restrictions in the financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- (continued)****Contributed Services**

The Foundation recognizes contributions of services which: create or enhance non-financial assets, require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Contributed services and promises to give services that do not meet the above criteria are not recognized in the financial statements. In 2019 and 2018, the Foundation recorded in-kind contributions provided by the Institute for the Study of Aging, Inc. (the "Institute"), which are described in Note 9 to the financial statements.

Individuals contribute freely of their time and talent in furtherance of the Foundation's goals. The Foundation has not recorded the value of these services in its financial statements since a clearly measurable basis for a determination of such a value does not exist.

**Functional Expenses**

The costs of providing various programs and supporting services have been summarized on a functional basis in the Statements of Activities and Functional Expenses. The majority of the Foundation's expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function are allocated to components of these services based on allocation factors determined by management that are reasonable and consistently applied.

**Cash and Cash Equivalents**

The Foundation considers all highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Significant estimates and assumptions include the valuation of contributions receivable and the allocation of expenses to functional classifications.

**Fair Value Measurements**

As further described in Note 5, the Foundation is subject to ASC Topic 820-10-05 relating to fair value measurement. Accordingly, the Foundation reports a fair value measurement of all applicable financial assets and liabilities, including investments, contributions receivable and liabilities.

**Evaluation of Subsequent Events**

The Foundation has evaluated subsequent events through August 10, 2020, the date which the financial statements were available to be issued.

Subsequent to year end, there was an outbreak of the novel coronavirus (COVID-19), which impacted the financial markets and the global economy. The outbreak of COVID-19 is still on-going and the magnitude of the impact in the financial markets is highly uncertain and cannot be predicted. The effect of this impact has not been reflected in these financial statements and may adversely affect the Foundation's net assets. The related financial impact and duration cannot be reasonably estimated at this time.

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**3. INVESTMENTS**

Investments consisted of the following at December 31, 2019 and 2018:

	<b>2019</b>		<b>2018</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
U.S. Government Securities-				
Treasury Bills	\$ 4,111,589	\$ 4,138,375	\$ 18,183,749	\$ 18,277,884
Other Government Agencies	17,250,461	17,262,872	27,799,853	27,902,569
Certificates of Deposit	-	-	1,440,000	1,439,047
Corporate Money Market Instruments	9,750,437	9,803,153	-	-
Corporate Bonds and Notes	11,252,956	11,303,916	-	-
Equity Securities	1,091	1,147,110	86,218	88,968
	<u>\$ 42,366,534</u>	<u>\$ 43,655,426</u>	<u>\$ 47,509,820</u>	<u>\$ 47,708,468</u>

At December 31, 2019, investments in equity securities consisted principally of one investment of approximately \$1,146,000 in a company that was a programmatic investment in past years that is now publicly traded.

**4. SIGNIFICANT CONTRIBUTORS AND CONCENTRATION OF CREDIT RISK**

In 2019 and 2018, the Foundation received support totaling approximately \$10,000,000 and \$36,000,000 from six and nine contributors, respectively, including donated securities in 2019 and 2018, which approximates sixty-five and sixty percent of total support and revenues, respectively. Three of the contributors are related parties, including the Institute. The operation of the Foundation's programs, at present levels, is dependent upon continued funding and continued in-kind contributions from the Institute.

Contributions receivable from donors have been evaluated for collectability. Based on the credit worthiness of the donors, management has determined that no allowance for doubtful collections is required.

The Foundation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, and investments. The Foundation maintains its cash accounts with banks located in New York State. The cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Foundation's bank balances during 2019 exceeded the balance insured by the FDIC. Management does not believe it is exposed to any significant credit risk on cash and cash equivalents.

**5. FAIR VALUE MEASUREMENTS**

The FASB's ASC Topic 820, Fair Value Measurements, establishes a three-level valuation hierarchy of fair value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**5. FAIR VALUE MEASUREMENTS- (continued)**

markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1- Valuations are based on observable inputs that reflect unadjusted quoted market prices in active markets for those investments, or similar investments, at the reporting date.

Level 2 – Valuations are based on: (i) quoted prices for those investments, or similar investments, in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.

Level 3 – Valuations are based on pricing inputs that are unobservable and include situations where: (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Cash and cash equivalents, contributions receivable, and liabilities have a carrying amount that is a reasonable estimate of fair value because of the short-term maturity of these instruments.

The fair values of corporate money market instruments, corporate bonds and notes, certificates of deposit and equity securities are based on the closing price reported on the active market where the individual securities are traded.

Investments in U.S. Treasury bills and other government agencies are valued using a market approach on yields currently available on comparable securities of issuers with similar credit ratings.

Investments as of December 31, 2019 and 2018:

	2019			2018		
	Level 1	Level 2	Total	Level 1	Level 2	Total
U.S. Government Securities-						
Treasury Bills	\$ -	\$ 4,138,375	\$ 4,138,375	\$ -	\$ 18,277,884	\$ 18,277,884
Other Government Agencies	-	17,262,872	17,262,872	-	27,902,569	27,902,569
Certificates of Deposit	-	-	-	1,439,047	-	1,439,047
Corporate Money Market Instruments	9,803,153	-	9,803,153	-	-	-
Corporate Bonds and Notes	11,303,916	-	11,303,916	-	-	-
Equity Securities	1,147,110	-	1,147,110	88,968	-	88,968
	<u>\$ 22,254,179</u>	<u>\$ 21,401,247</u>	<u>\$ 43,655,426</u>	<u>\$ 1,528,015</u>	<u>\$ 46,180,453</u>	<u>\$ 47,708,468</u>

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**6. THE FUND FOR ALZHEIMER'S DRUG DISCOVERY**

In 2006, the Foundation structured The Fund for Alzheimer's Drug Discovery (the "Fund") to raise funds in the form of contributions using a non-profit venture fund model to further the mission of the Foundation. The Fund made grants in support of early stage Alzheimer's drug discovery research designed to accelerate the discovery and development of drugs that prevent, treat or cure Alzheimer's disease. Each Fund grant was structured to enable the Fund to share financially in the further commercial development of successful products or procedures, if any. Grants by the Fund were based primarily on the Foundation's evaluation of the likelihood that the grant supported work will advance treatment of Alzheimer's disease and only secondarily on the potential monetary return from the grants.

Contributors to the Fund understand that the Fund may recover little or none of the amounts granted. Contributors to the Fund were entitled to designate a charitable organization tax-exempt under Section 501(c)(3) of the Code as a beneficiary to share with the Foundation in the return, if any, from the grant. Any returns from successful grants by the Fund will be shared as follows: 80% to the charitable designee organization of the contributor and 20% to the Foundation. In 2019, the Fund made net grant payments in excess of grant returns totaling \$39,722. In 2018, the Fund received grant returns in the amounts of \$21,358, net of payments made to charitable designee organizations.

The Foundation received for these grants: the right to recover defined amounts based on meeting certain milestones, common stock, convertible notes, bonds and warrants. The Foundation has not valued these securities in the financial statements because the success of the early stage research conducted by the grantees is highly uncertain.

**7. CASH AND CASH EQUIVALENTS**

The composition of cash and cash equivalents as of December 31, 2019 and 2018 is as follows:

	<b>2019</b>	<b>2018</b>
Cash in banks	\$ 953,473	\$ 754,619
Money market funds	30,248,285	5,933,953
	<u>\$ 31,201,758</u>	<u>\$ 6,688,572</u>

See Note 4 to the financial statements for concentration of credit risk. Cash in banks are insured by the FDIC. The Foundation's cash in money market funds is not FDIC insured.

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**8. CONTRIBUTIONS RECEIVABLE**

The Foundation records contributions receivable that are expected to be collected within one year at realizable value and multi-year contributions receivable at the present value of the estimated future cash flows. As discussed in Note 4, based on the credit worthiness of the donors, no allowance for uncollectible receivables is required.

Contributions receivable consists of the following at December 31, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Due within one year	\$ 15,104,767	\$ 15,934,475
Due in two to five years	6,035,214	17,764,410
Due in more than five years	1,310,734	2,578,760
	<u>22,450,715</u>	<u>36,277,645</u>
Less unamortized discount	<u>(295,510)</u>	<u>(754,201)</u>
	<u><u>\$ 22,155,205</u></u>	<u><u>\$ 35,523,444</u></u>

**9. RELATED PARTY TRANSACTIONS**

On January 1, 2011, the Foundation and the Institute entered into a five-year "Services and In-Kind Donation Agreement" ("Services Agreement"), which can be renewed annually with the approval of the Institute and the Foundation. The agreement with the Foundation has been renewed to December 31, 2020. Under the Services Agreement, the Institute provides office space, equipment, personnel and related employee benefits, independent contractors and other administrative support to the Foundation free of charge. Contributions under this agreement totaled \$4,016,995 in 2019 and \$3,665,626 in 2018. These in-kind contributions are shown as support in the Statement of Activities, and are included as salaries, payroll taxes and employee benefits and other expense categories in the Statement of Functional Expenses.

During 2019 and 2018, members of the Board of Governors donated investment securities valued at \$559,000 and \$4,110,653, respectively.

**10. NET ASSETS WITH DONOR RESTRICTIONS**

As of December 31, 2019 and 2018, the Foundation had net assets with donor restrictions of \$28,108,733 and \$35,204,591, respectively, consisting of the following time and purpose restrictions:

	<b>2019</b>	<b>2018</b>
Time-restricted funds	\$ 20,428,807	\$ 33,296,446
Purpose-restricted funds	7,430,276	1,618,773
Fund for Alzheimer Drug Discovery	249,650	289,372
	<u><u>\$ 28,108,733</u></u>	<u><u>\$ 35,204,591</u></u>

**10. NET ASSETS WITH DONOR RESTRICTIONS– (continued)**

The net assets with donor restrictions consist of funds for the aging and Alzheimer's disease prevention program, the access website program support for special events and for an awards research program. In 2019 and 2018, net assets of \$13,568,366 and \$24,004,122 were released from restrictions, respectively.

**11. GRANT PAYABLES AND COMMITMENTS**

The Foundation has accrued grants for drug research that have been approved by the Foundation's Grant Approval Board or Board of Governors in the amount of \$46,629,104 and \$29,988,071 as of December 31, 2019 and 2018, respectively. These grants are in the areas of drug discovery, clinical trials, early detection and prevention for cognitive aging and Alzheimer's disease.

During 2018, nine grants approved in 2013, 2015, 2016, and 2017 totaling \$3,824,811 were cancelled due to the inability of the grantee to meet the grant requirements. These amounts had been included in grants payable as of December 31, 2018.

In 2019, the Foundation received grant returns in the amounts of \$2,242,101, inclusive of \$(39,722) that are restricted to the Fund. In 2018, the Foundation received grant returns in the amount of \$1,133,269 inclusive of \$21,358 that have donor restrictions.

**12. FUNDRAISING EVENTS**

Proceeds for events are shown in the Statement of Activities net of direct costs for the years ended December 31, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Fundraising events proceeds	\$ 5,083,727	\$ 5,133,746
Less direct expenses	(1,139,113)	(1,089,956)
Net event proceeds	<u>\$ 3,944,614</u>	<u>\$ 4,043,790</u>

The direct expenses are funded by support from specific donors.

**13. PRIOR-YEAR FINANCIAL STATEMENTS**

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in connection with the Foundation's financial statements for the year ended December 31, 2018, from which the summarized information was derived.



**14. OTHER MATTER**

In connection with an application for a trademark of the "Alzheimer's Drug Discovery Foundation," the Foundation has received a Notice of Opposition from another organization. The Foundation has been and intends to continue to vigorously fight the opposition proceeding.

**15. LIQUIDITY AND AVAILABILITY OF RESOURCES**

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of December 31, 2019 and 2018.

The Foundation's financial assets available within one year of the statement of financial position date for general expenditures, such as operating expenses, are as follows:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Financial assets at year end:		
Cash and cash equivalents	\$ 31,201,758	\$ 6,688,572
Receivables	22,155,205	35,523,444
Investments	43,655,426	47,708,468
Total financial assets	97,012,389	89,920,484
Less amounts not available to be used within one year:		
Net assets with donor restrictions	28,108,733	35,204,591
Financial assets available to meet general expenditures over the next year	<u>\$ 68,903,656</u>	<u>\$ 54,715,893</u>

As part of the Foundation's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically money market funds and U.S. Treasury bills.