

ALZHEIMER'S DISEASE RESEARCH FOUNDATION
D/B/A CURE ALZHEIMER'S FUND
(A Non Profit Organization)

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2011

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ALZHEIMER'S DISEASE RESEARCH FOUNDATION
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(A Non Profit Organization)

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Alzheimer's Disease Research Foundation
d/b/a Cure Alzheimer's Fund

We have audited the accompanying statements of financial position of **Alzheimer's Disease Research Foundation d/b/a Cure Alzheimer's Fund** (A Non Profit Organization) as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, cash flows – indirect method, and functional expenses 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 the 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 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 Research Foundation d/b/a Cure Alzheimer's Fund** as of December 31, 2011 and 2010, and the activities and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

GRAY, GRAY & GRAY, LLP

Gray, Gray & Gray, LLP

April 5, 2012

ALZHEIMER'S DISEASE RESEARCH FOUNDATION
D/B/A CURE ALZHEIMER'S FUND
(A Non Profit Organization)

STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 4,198,098	\$ 2,998,023
Restricted cash, documentary project funds (temporarily restricted)	159,677	-
Contributions receivable, documentary project (temporarily restricted)	147,000	-
Contributions receivable, un-deposited funds	45,900	71,343
Government grant receivable	-	148,500
Pledges receivable (temporarily restricted)	-	15,267
Deposits - donor advised funds	22,013	21,998
Fixed assets, net	26,520	13,813
Other assets	2,163	4,196
	<u>4,601,371</u>	<u>3,273,140</u>
TOTAL ASSETS	<u>\$ 4,601,371</u>	<u>\$ 3,273,140</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable, grant equipment	\$ -	\$ 300,946
Accounts payable and accrued expenses	50,903	17,991
	<u>50,903</u>	<u>318,937</u>
TOTAL LIABILITIES	<u>50,903</u>	<u>318,937</u>
NET ASSETS		
Unrestricted	4,243,791	2,938,936
Temporarily restricted:		
Pledges receivable	-	15,267
Documentary project	306,677	-
	<u>306,677</u>	<u>15,267</u>
TOTAL NET ASSETS	<u>4,550,468</u>	<u>2,954,203</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,601,371</u>	<u>\$ 3,273,140</u>

The accompanying notes are an integral part of these financial statements.

ALZHEIMER'S DISEASE RESEARCH FOUNDATION
D/B/A CURE ALZHEIMER'S FUND
(A Non Profit Organization)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31	
	2011	2010
UNRESTRICTED NET ASSETS		
Revenue and other support:		
Contributions	\$ 4,307,457	\$ 3,833,716
Government grant	-	148,500
Donated services	35,075	30,238
Investment income	1,132	4,161
Realized gain (loss) on sale of stocks	3,952	(9,916)
Unrealized gain (loss) on donor advised funds	(314)	544
Net assets released from restrictions	80,823	57,500
	4,428,125	4,064,743
Expenditures:		
Program expenses:		
Grants	2,052,500	3,093,317
Government grant - equipment	-	300,946
Documentary program expenses	65,323	-
Other program expenses	408,104	196,526
	2,525,927	3,590,789
Management and general	330,292	253,688
Fundraising	267,051	268,152
	3,123,270	4,112,629
	1,304,855	(47,886)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS		
TEMPORARILY RESTRICTED NET ASSETS		
Documentary project contributions	372,000	-
Net assets released from restrictions	(80,823)	(57,500)
Net discount/amortizations of pledges	233	945
	291,410	(56,555)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS		
CHANGES IN NET ASSETS		
	1,596,265	(104,441)
NET ASSETS AT BEGINNING OF YEAR		
	2,954,203	3,058,644
NET ASSETS AT END OF YEAR		
	\$ 4,550,468	\$ 2,954,203

The accompanying notes are an integral part of these financial statements.

ALZHEIMER'S DISEASE RESEARCH FOUNDATION
D/B/A CURE ALZHEIMER'S FUND
(A Non Profit Organization)

STATEMENTS OF CASH FLOWS - INDIRECT METHOD

	<u>Year Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 1,596,265	\$ (104,441)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Contribution of stocks	(659,868)	(598,576)
Depreciation	8,995	4,051
Loss on write off of web site development costs	-	27,101
Realized loss (gain) on sale of stocks	(3,952)	9,916
Unrealized gain (loss) on donor advised funds	314	(544)
Changes in operating assets and liabilities		
Contributions receivable, un-deposited funds	(121,557)	(48,798)
Government grant receivable	148,500	(148,500)
Pledges receivable	15,267	56,555
Deposit - donor advised funds	(329)	391
Other assets	2,033	4,130
Accounts payable and accrued expenses	(268,033)	284,435
	<u>717,635</u>	<u>(514,280)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and website development costs	<u>(21,703)</u>	<u>(10,771)</u>
	<u>(21,703)</u>	<u>(10,771)</u>
NET CASH (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of contributed stocks	<u>663,820</u>	<u>588,660</u>
	<u>663,820</u>	<u>588,660</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
INCREASE IN CASH AND CASH EQUIVALENTS	1,359,752	63,609
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,998,023</u>	<u>2,934,414</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,357,775</u>	<u>\$ 2,998,023</u>

The accompanying notes are an integral part of these financial statements.

ALZHEIMER'S DISEASE RESEARCH FOUNDATION
(A Non Profit Organization)

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011				2010			
	<u>Program Grants, Donations and Other Program Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Grants, Donations and Other Program Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
PERSONNEL								
Salaries	\$ 135,701	\$ 138,241	\$ 124,231	\$ 398,173	\$ 58,844	\$ 92,172	\$ 104,149	\$ 255,165
Payroll taxes and fringe benefits	13,947	19,306	14,505	47,758	13,208	21,391	15,646	50,245
TOTAL PERSONNEL	<u>149,648</u>	<u>157,547</u>	<u>138,736</u>	<u>445,931</u>	<u>72,052</u>	<u>113,563</u>	<u>119,795</u>	<u>305,410</u>
SUPPLIES, MATERIALS, AND OTHER EXPENSES								
Advertising	-	-	2,806	2,806	-	-	7,609	7,609
Board meeting expense	-	5,374	-	5,374	-	13,123	-	13,123
Conferences, conventions and meetings	886	3,222	2,829	6,937	18,339	2,173	-	20,512
Consulting expenses	-	1,670	9,125	10,795	-	4,137	2,200	6,337
Computer expense	-	8,585	-	8,585	-	2,258	8,369	10,627
Credit card fees	-	7,141	75	7,216	-	3,150	-	3,150
Depreciation	-	8,995	-	8,995	-	4,051	-	4,051
Donations/grants	2,052,500	-	-	2,052,500	3,093,317	-	-	3,093,317
Donations/grants - equipment	-	-	-	-	300,946	-	-	300,946
Documentary program expenses	65,323	-	-	65,323	-	-	-	-
Fundraising expense	-	-	10,152	10,152	-	-	4,950	4,950
Fundraising research	-	-	5,223	5,223	-	-	-	-
Gift processing	-	-	14,108	14,108	-	-	6,338	6,338
Government relations	36,000	-	-	36,000	-	-	36,000	36,000
Honoraria	7,500	-	-	7,500	15,000	-	-	15,000
Information and awareness	187,635	-	-	187,635	57,184	-	-	57,184
Insurance	-	1,872	-	1,872	-	2,384	-	2,384
Loss on abandonment of website development costs	-	-	-	-	-	27,101	-	27,101
Marketing materials	-	-	8,268	8,268	-	-	55	55
Miscellaneous	-	13,505	1,413	14,918	3,175	8,459	894	12,528
Moving expenses	-	11,724	-	11,724	-	-	-	-
Office supplies	-	5,836	-	5,836	-	2,223	-	2,223
Office rent	-	34,707	-	34,707	-	24,000	-	24,000
Postage and shipping	10,385	1,743	7,644	19,772	6,783	468	1,845	9,096
Printing and reproduction	-	1,832	8,740	10,572	-	359	5,222	5,581
Professional services	-	43,377	-	43,377	-	36,656	-	36,656
Public relations	-	-	49,931	49,931	-	-	43,098	43,098
Social media	-	-	-	-	-	-	24,659	24,659
State registration	-	-	5,807	5,807	-	-	4,236	4,236
Telephone	-	9,144	450	9,594	-	4,829	-	4,829
Travel	16,050	13,137	1,744	30,931	18,455	3,441	2,882	24,778
Website and internet	-	881	-	881	5,538	1,313	-	6,851
TOTAL SUPPLIES, MATERIALS, AND OTHER EXPENSES	<u>2,376,279</u>	<u>172,745</u>	<u>128,315</u>	<u>2,677,339</u>	<u>3,518,737</u>	<u>140,125</u>	<u>148,357</u>	<u>3,807,219</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,525,927</u>	<u>\$ 330,292</u>	<u>\$ 267,051</u>	<u>\$ 3,123,270</u>	<u>\$ 3,590,789</u>	<u>\$ 253,688</u>	<u>\$ 268,152</u>	<u>\$ 4,112,629</u>

The accompanying notes are an integral part of these financial statements.

ALZHEIMER'S DISEASE RESEARCH FOUNDATION
D/B/A CURE ALZHEIMER'S FUND
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

NOTE 1 – BUSINESS

Alzheimer's Disease Research Foundation d/b/a Cure Alzheimer's Fund ("CAF") is a non-profit organization that was incorporated on September 3, 2004 to promote, support, and further the purposes of the organization by funding medical and scientific research with the potential to identify the causes of, and potential cures for, Alzheimer's and Alzheimer's related diseases. CAF pursues its mission by awarding grants to fund Alzheimer's-related research.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand and money market funds which have original maturities of three months or less.

The cash balances may fluctuate during the year and can exceed the Federal Deposit Insurance Corporation's (FDIC) coverage limit of \$250,000. However, all funds in noninterest-bearing accounts are temporarily insured in full by the FDIC through December 31, 2012.

Contributions Receivable, Un-Deposited Funds – Contributions received subsequent to December 31, but designated as 2011 donations, are recorded as income and the related receivable is reflected in the financial statements in the period stipulated by the donor.

Pledges Receivable – The Organization records an allowance for estimated uncollectible pledges in an amount approximating anticipated losses. Individual uncollectible pledges were written off against the allowance when collection of the individual pledge appeared doubtful. At December 31, 2011 and 2010, management determined that no allowance for doubtful accounts was required.

Equipment – Equipment is recorded at cost and is depreciated using the straight-line method over the estimated useful lives of the assets (3 – 15 years). Expenditures for routine repairs and maintenance are charged to operations as they are incurred, while those which significantly improve or extend the lives of existing assets and are in excess of \$500 are capitalized.

Website Development Costs – Website development costs are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets (3 years).

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising – Advertising and marketing costs are expensed when incurred.

Contributions – Contributions are received primarily from individuals and private foundations to support the purposes of CAF. Contributions received and unconditional promises to give are classified as unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of any donor restrictions. Restricted contributions are classified as unrestricted if the restrictions are satisfied in the same reporting period in which the contributions are received. Restricted net assets are transferred to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Unconditional promises to give, that are expected to be collected within one year, are recorded at net realizable value. Unconditional promises to give, that are expected to be collected in future years, are recorded at the present value of the estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received.

Contributions of donated services are recorded at their fair values in the period received. Other services have been donated. However, no value has been assigned, as their value is not determinable.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on an analysis of the related activities.

Income Taxes – CAF was determined to be exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code of 1986 (IRC) and has been classified as an organization that is not a private foundation as defined in Section 509(a)(3) of the IRC. Accordingly, no provisions for federal or state income taxes are required.

CAF is required to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. Any interest and penalties recognized associated with a tax position would be classified as current in CAF's financial statements.

Currently, the tax years ended December 31, 2008, 2009, and 2010 are open and subject to examination by the Internal Revenue Service and the Massachusetts Department of Revenue. However, CAF is not currently under audit nor has CAF been contacted by any of these jurisdictions.

Based on the evaluation of CAF's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended December 31, 2011.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants – Grants are recommended by the board-appointed Scientific Advisory Committee and recorded when they are approved by the Board of Directors.

Concentrations of Credit Risk – Financial instruments which potentially subject CAF to concentrations of credit risk consist principally of cash and cash equivalents and contributions receivable. Concentrations of credit risk with respect to contributions receivable are limited due to the number of donors.

Subsequent Events – The Organization has evaluated subsequent events through April 5, 2012, the date which the financial statements were available to be issued. There were no events noted that required disclosure in these financial statements, except as disclosed in Note 9 below.

NOTE 3 – FEDERAL GRANT

During 2010 the Organization received a grant from the Health Resources & Services Administration in the amount of \$148,500 which was recorded as grant receivable at December 31, 2010. The purpose of the grant was to purchase genotyping equipment in the amount of \$300,946 with matching funds provided by the Organization. The equipment is being utilized exclusively by Massachusetts General Hospital for Alzheimer's' research.

NOTE 4 – PLEDGES RECEIVABLE (TEMPORARILY RESTRICTED)

Pledges receivable (temporarily restricted) consists of the following at December 31:

	<u>2011</u>	<u>2010</u>
Pledges receivable (temporarily restricted) before unamortized discounts	\$ -	\$ 15,500
Less unamortized discount at 1.5% for 2010	<u>-</u>	<u>233</u>
Net pledges receivable	<u><u>\$ -</u></u>	<u><u>\$ 15,267</u></u>

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NOTES TO FINANCIAL STATEMENTS

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NOTE 5 – FIXED ASSETS

Fixed assets consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Equipment	\$ 24,377	\$ 13,702
Website development costs	<u>26,148</u>	<u>15,199</u>
	50,525	28,901
Less accumulated depreciation	<u>(24,005)</u>	<u>(15,088)</u>
	<u>\$ 26,520</u>	<u>\$ 13,813</u>

During the year ended December 31, 2010 the Organization wrote off \$27,101 of net book value of web site development costs due to major website revisions.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	2011			
	<u>Balance</u>	<u>Contributions/A</u>	<u>Released</u>	<u>Balance</u>
	<u>1/1/2011</u>	<u>mortization of</u>	<u>from</u>	<u>12/31/2011</u>
		<u>Pledges</u>	<u>Restrictions</u>	
Pledges receivable	\$ 15,267	\$ 233	\$ (15,500)	\$ -
Documentary project	<u>-</u>	<u>372,000</u>	<u>(65,323)</u>	<u>306,677</u>
	<u>\$ 15,267</u>	<u>\$ 372,233</u>	<u>\$ (80,823)</u>	<u>\$ 306,677</u>

The Documentary project is an independent series of short documentaries about how families cope with Alzheimer's disease (the "Project"). The series' creator and executive producer is David Shenk, a writer and producer of Alzheimer's-related films, books and articles. The total estimated budget of \$372,000 will be funded through contributions from MetLife Foundation. At December 31, 2011 a total of \$225,000 had been received from Metlife. The Project's expenditures will be dispersed to contractors by CAF at David Shenk's direction. The restricted cash of \$159,677 represents the unspent Project funds at December 31, 2011.

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NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted net assets consist of the following at December 31:

	2010			
<u>Balance</u> 1/1/2010	<u>Amortization of</u> <u>Pledges</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> 12/31/2010	
Pledges receivable	\$ 71,822	\$ 945	\$ (57,500)	\$ 15,267

NOTE 7 – RELATED PARTY TRANSACTIONS

Three board members of CAF and their foundations contributed a total of \$ 1,141,475 and \$1,748,688 for years ended December 31, 2011 and 2010, respectively.

NOTE 8 – EMPLOYEE BENEFIT PLAN

CAF sponsors a defined-contribution plan under Section 403(b) of the IRC covering all eligible employees. Employer contributions of \$4,035 and \$4,306 were made to the plan during the years ended December 31, 2011 and 2010, respectively.

NOTE 9 – COMMITMENTS

CAF entered into a lease agreement to rent office space through April 30, 2013. The lease provides for lease payments of \$3,338 per month. Rent expense amounted to \$34,707 and \$24,000 for the years ended December 31, 2011 and 2010, respectively.

The future minimum lease payments are \$40,056 in 2012 and \$13,352 in 2013.

CAF committed to donations/grants in the amount of \$925,000 relating to proposals received in December 2011 but were not distributed until early 2012.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

NOTE 10 – REVENUE RECONCILIATION

Reconciliation of the audited financial statement to Form 990 is as follows:

Audited financial statement revenue/expenditures from the statements of activities and changes in net assets (see Page 3):

	<u>2011</u>	<u>2010</u>
Unrestricted net assets		
Revenue and other support	\$ 4,428,125	\$ 4,064,743
Temporarily restricted net assets	291,410	(56,555)
Unrealized loss (gain) on donor advised funds	<u>314</u>	<u>(544)</u>
Total revenue per financial statements	4,719,849	4,007,644
Less donated services not required for Form 990	<u>(32,575)</u>	<u>(30,238)</u>
Total revenue per Form 990, Page 1 Line 12	<u><u>\$ 4,687,274</u></u>	<u><u>\$ 3,977,406</u></u>
Program expenses:		
Grants	\$ 2,052,500	\$ 3,093,317
Government grant - equipment	-	300,946
Documentary project expenses	65,323	-
Other program expenses	<u>408,104</u>	<u>196,526</u>
	<u>2,525,927</u>	<u>3,590,789</u>
Management and general expenses	<u>330,292</u>	<u>253,688</u>
Fundraising expenses	267,051	268,152
Less donated services not required for Form 990	<u>(32,575)</u>	<u>(30,238)</u>
	<u>234,476</u>	<u>237,914</u>
Total expenses per Form 990, Page 1 Line 18	<u><u>\$ 3,090,695</u></u>	<u><u>\$ 4,082,391</u></u>