

**ALZHEIMER'S FOUNDATION OF AMERICA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2018**

# ALZHEIMER'S FOUNDATION OF AMERICA

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
**Alzheimer's Foundation of America**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Alzheimer's Foundation of America, which comprise the statement of financial position as of December 31, 2019 and the related statements of activities and changes in net assets, 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 from material misstatement, whether due to fraud or error.

### *Auditors' 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 from 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 auditors' 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 Foundation of America as of December 31, 2019, and the related statements of activities and changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters – Prior Year Financial Statements***

We have previously audited the Alzheimer's Foundation of America's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 2, 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.

*Marcum LLP*

Hartford, CT  
June 2, 2020

# ALZHEIMER'S FOUNDATION OF AMERICA

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR DECEMBER 31, 2018)

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 13,284,903	\$ 10,562,671
Investments	12,075,289	3,212,869
Certificates of deposit	--	6,082,154
Contributions receivable	999,867	531,706
Prepaid expenses and other assets	88,171	117,450
Security deposits	27,500	27,473
Fixed assets, net	<u>191,410</u>	<u>104,997</u>
<b>Total Assets</b>	<u>\$ 26,667,140</u>	<u>\$ 20,639,320</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 72,795	\$ 44,120
Vacation payable	49,049	41,081
Grants payable, net	<u>692,677</u>	<u>634,310</u>
<b>Total Liabilities</b>	<u>814,521</u>	<u>719,511</u>
<b>Net Assets</b>		
Without donor restrictions	23,245,061	18,085,908
With donor restrictions	<u>2,607,558</u>	<u>1,833,901</u>
<b>Total Net Assets</b>	<u>25,852,619</u>	<u>19,919,809</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 26,667,140</u>	<u>\$ 20,639,320</u>

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

# ALZHEIMER'S FOUNDATION OF AMERICA

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

### FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenues, gains and other support</b>				
Contributions	\$ 9,214,351	\$ 1,505,244	\$ 10,719,595	\$ 9,439,686
Special events, net of direct expenses of \$102,799	372,232	--	372,232	183,176
Membership dues	62,590	--	62,590	92,735
Investment income, net	920,664	10,448	931,112	230,657
Program income	87,313	--	87,313	136,107
Grants	417,321	--	417,321	1,080,070
In-kind contributions	7,691,261	--	7,691,261	3,555,653
Loss on sale of asset	--	--	--	(14,000)
Net assets released from restrictions	742,035	(742,035)	--	--
<b>Total Revenues</b>	<u>19,507,767</u>	<u>773,657</u>	<u>20,281,424</u>	<u>14,704,084</u>
<b>Expenses</b>				
Program services - public awareness and support	12,658,085	--	12,658,085	8,627,799
Supporting services:				
Management and general	647,670	--	647,670	283,493
Fund raising	1,042,859	--	1,042,859	699,719
Total supporting services	<u>1,690,529</u>	<u>--</u>	<u>1,690,529</u>	<u>983,212</u>
<b>Total Expenses</b>	<u>14,348,614</u>	<u>--</u>	<u>14,348,614</u>	<u>9,611,011</u>
<b>Change in Net Assets</b>	<u>5,159,153</u>	<u>773,657</u>	<u>5,932,810</u>	<u>5,093,073</u>
<b>Net Assets - Beginning of year</b>	<u>18,085,908</u>	<u>1,833,901</u>	<u>19,919,809</u>	<u>14,826,736</u>
<b>Net Assets - End of year</b>	<u>\$ 23,245,061</u>	<u>\$ 2,607,558</u>	<u>\$ 25,852,619</u>	<u>\$ 19,919,809</u>

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

# ALZHEIMER'S FOUNDATION OF AMERICA

## STATEMENT OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED DECEMBER 31, 2019**

**(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)**

	2019				2018	
	Program Services	Supporting Services				Total
	Public Awareness and Support	Management and General	Fund Raising	Direct Costs of Special Events	Total	Total
Salaries	\$ 1,875,984	\$ 246,048	\$ 459,110	\$ --	\$ 2,581,142	\$ 2,373,802
Payroll taxes and benefits	420,004	55,086	102,788	--	577,878	431,331
In-kind advertising	7,691,261	--	--	--	7,691,261	3,555,653
Grants	1,129,842	--	--	--	1,129,842	936,229
Advertising	373,772	--	300,000	--	673,772	784,301
Printing and postage	150,349	84,413	47,789	--	282,551	327,421
Occupancy	311,028	111,082	22,216	--	444,326	316,970
Conferences and training	168,708	--	--	--	168,708	272,667
Resource materials	131,185	--	--	--	131,185	203,760
Bank charges and fees	9,861	9,861	78,888	--	98,610	84,323
Travel and transportation	59,450	--	--	--	59,450	81,935
Office expenses	61,373	15,601	3,118	--	80,092	75,392
Computer expense	55,454	19,805	3,962	--	79,221	71,584
Depreciation and amortization	59,439	6,992	3,497	--	69,928	61,546
Dues and subscriptions	57,033	--	12,878	--	69,911	54,338
Catering and fees	--	--	--	102,799	102,799	48,114
Telephone	25,398	9,070	1,815	--	36,283	29,833
Insurance	11,881	1,397	700	--	13,978	14,656
Utilities	12,499	1,470	736	--	14,705	9,664
Maintenance and repairs	8,700	3,107	621	--	12,428	5,910
Professional fees	40,122	83,738	4,741	--	128,601	(82,764)
Miscellaneous expenses	4,742	--	--	--	4,742	2,460
	<u>\$ 12,658,085</u>	<u>\$ 647,670</u>	<u>\$ 1,042,859</u>	<u>\$ 102,799</u>	<u>\$ 14,451,413</u>	<u>\$ 9,659,125</u>

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

# ALZHEIMER'S FOUNDATION OF AMERICA

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED  
DECEMBER 31, 2018)

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 5,932,810	\$ 5,093,073
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	69,928	61,546
Net realized and unrealized (gains) losses on investments	(456,246)	56,956
Loss on sale of asset	--	14,000
Changes in assets and liabilities:		
Contributions receivable	(468,161)	257,203
Prepaid expenses and other assets	29,279	(21,302)
Security deposits	(27)	(7,040)
Accounts payable	28,675	190,126
Vacation payable	7,968	937
Grants payable	58,367	(272,050)
<b>Net Cash Provided by Operating Activities</b>	<u>5,202,593</u>	<u>5,373,449</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of fixed assets	(156,341)	(34,895)
Proceeds from sale of vehicle	--	77,500
Sales (purchase) of certificates of deposit	6,082,154	(6,082,154)
Purchases of investments	(8,406,174)	(653,869)
<b>Net Cash Used in Investing Activities</b>	<u>(2,480,361)</u>	<u>(6,693,418)</u>
<b>Net Change in Cash and Cash Equivalents</b>	2,722,232	(1,319,969)
<b>Cash and Cash Equivalents - Beginning</b>	<u>10,562,671</u>	<u>11,882,640</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 13,284,903</u>	<u>\$ 10,562,671</u>

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



# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

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#### NOTE 1 – GENERAL

##### *ORGANIZATION*

Alzheimer's Foundation of America (AFA) is a non-profit foundation comprised of member and associate member organizations across the United States dedicated to meeting the educational, social and emotional needs of individuals with Alzheimer's disease and their families and caregivers, as well as raising public awareness about the disease and lending expertise to healthcare professionals. AFA's primary sources of support are contributions.

The Internal Revenue Service has determined that AFA is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code.

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *BASIS OF ACCOUNTING*

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

##### *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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### *CASH AND CASH EQUIVALENTS*

Cash and cash equivalents consist of cash and highly liquid investments with maturity dates, when acquired, of three months or less. In general, the Federal Deposit Insurance Corporation (FDIC) insures cash balances up to \$250,000 per depositor, per bank. It is AFA's policy to monitor the financial strength of the banks that holds its deposits on an ongoing basis. During the normal course of business, AFA maintains cash balances in excess of the FDIC insurance limit.

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *CONTRIBUTIONS RECEIVABLE*

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 their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which promises are received. Amortization of the discounts are included in contribution revenue. AFA determines whether an allowance for uncollectible accounts should be provided for contributions receivable. Such estimates are based upon management's assessment of the aging of its receivables, current economic conditions, subsequent receipts and historical information. Conditional promises to give are not included as support until the conditions are substantially met. There was no allowance as of December 31, 2019 as all of the outstanding contributions receivable were considered collectible.

##### *FIXED ASSETS*

Fixed assets in excess of \$1,000 with an estimated useful life of greater than one year are capitalized. Depreciation is provided on the straight-line method over the assets' estimated useful life of five years. Amortization of leasehold improvements is computed over the lesser of their estimated useful lives or the terms of the lease.

##### *NET ASSETS*

To ensure observance of limitations and restrictions placed on the use of resources available to AFA, the accounts of AFA are maintained in the following net asset categories:

*Without Donor Restrictions* - Net assets without donor restrictions represent available resources other than donor- restricted contributions.

*With Donor Restrictions* - Net assets with donor restrictions represent contributions that are restricted by the donor either as to purpose or as to time restriction or represent contributions received with the donor restriction that the principal be held in perpetuity and that the income earned, thereon, be used for operations or a specific purpose or time frame.

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED  
DECEMBER 31, 2018)

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *IN-KIND CONTRIBUTIONS / EXPENSES*

In-kind contributions consist of donated media which is recorded at its fair value at the date of donation as revenue and an equal amount of expense based upon market value as provided by the media vendors.

#### *GRANTS AND CONTRIBUTIONS*

Unconditional grants and contributions, including promises to give cash and other assets, are reported at fair value at the date the grant and contribution is received. The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

#### *SPECIAL EVENTS*

AFA conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Proceeds received are recorded as special events revenue as the events occur in the accompanying statement of activities and changes in net assets.

#### *PROGRAM INCOME*

Program income from professional training and education is recorded when services are provided.

#### *GRANTS PAYABLE AND EXPENSES*

Grants payable represent unpaid commitments made by the Board of Directors. Grant expenses represent grants which are appropriated by the Board of Directors to fund research into Alzheimer's and other mission related activities.

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *MEMBERSHIP DUES*

Revenue for membership dues are recognized over the membership period.

##### *OPERATING LEASES*

AFA's operating lease obligations are recognized on the straight line method over the term of the lease. Deferred rent is recorded when there are material differences between the fixed lease payment and the straight line rent. At December 31, 2019, no deferred rent was recorded.

##### *FAIR VALUE MEASUREMENTS*

FASB ASC 820 provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active 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 under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the AFA has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *FUNCTIONAL ALLOCATION OF EXPENSES*

The costs of providing services have been summarized on a functional basis. Accordingly, certain costs not able to be directly attributed to a function have been allocated among the programs and supporting services for which the costs have been incurred. Such allocated costs primarily consist of employee benefits, which were allocated based on salaries and rent and other occupancy expenses, which were allocated based on management's best estimates of usage.

##### *INCOME TAXES*

AFA has been recognized by the Internal Revenue Service as a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes except for unrelated business income. AFA did not receive any unrelated business income for the year ended December 31, 2019.

AFA accounts for uncertain tax provisions under FASB ASC 740, *Income Taxes*, which provides a framework for how entities should recognize, measure, present and disclose uncertain tax positions in their financial statements. AFA may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. AFA does not have any uncertain tax positions as of December 31, 2019. As of December 31, 2019, AFA did not record any penalties or interest associated with uncertain tax positions.

##### *RECLASSIFICATIONS*

Certain amounts in the 2018 summarized comparative financial statements have been reclassified to conform to the 2019 financial statement presentation.

##### *SUBSEQUENT EVENTS*

Subsequent events have been evaluated through June 2, 2020, which is the date the financial statements were available to be issued. Management believes there are no subsequent events requiring adjustment to, or disclosures in, the accompanying financial statements except for the matter described below.

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States of America and the World. AFA is monitoring the outbreak of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce its spread, and in addition to the impact on its employees. Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on AFA's operations and liquidity is uncertain as of the date of this report. While there could ultimately be a material impact on operations and liquidity of AFA, at the time of issuance, the impact could not be determined.

#### NOTE 3 – CONTRIBUTIONS RECEIVABLE

All unconditional contributions receivable have been recorded at their estimated present value. The contributions receivable, as of December 31, 2019, are all expected to be collected in 2020.

#### NOTE 4 – FIXED ASSETS

Fixed assets consisted of the following as of December 31, 2019:

Leasehold improvements	\$ 77,024
Furniture and equipment	<u>333,747</u>
	410,771
Accumulated depreciation and amortization	<u>(219,361)</u>
Fixed assets, net	<u>\$ 191,410</u>

Depreciation and amortization expense for the year ended December 31, 2019 was \$69,928.

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

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#### NOTE 5 – GRANTS PAYABLE

Unconditional grants payable are research grants due to be paid out in 2020 and have been discounted to their estimated present value using a discount rate of 4% if payable over more than one year. The payables are due as follows:

2020	\$ 699,322
	699,322
Less discount to present value	<u>(6,645)</u>
Grants payable, net	<u>\$ 692,677</u>

#### NOTE 6 – FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 as compared to those used at December 31, 2018.

*Common stock, mutual funds and exchange traded funds* - Valued at the closing price reported on an active market on which the individual securities are traded and at the net asset value (NAV) of shares held at year end.

*Corporate bonds and U.S. government securities* - Valued based on yields currently available on comparable securities of issuers with similar credit ratings.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while AFA 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.

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

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#### NOTE 6 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the assets at fair value:

	Level 1	Level 2	Total
Exchange traded funds:			
Bond funds	\$ 529,752	\$ --	\$ 529,752
Emerging markets	88,573	--	88,573
Foreign large blend	102,836	--	102,836
Total market	198,798	--	198,798
U.S. Corporate bonds	--	4,889,316	4,889,316
U.S Government securities	--	3,931,532	3,931,532
Common stocks	9,994	--	9,994
Mutual funds:			
U.S Fixed income	402,652	--	402,652
U.S Equity	1,168,375	--	1,168,375
Non-U.S. Equity	524,216	--	524,216
Other	<u>21,397</u>	<u>--</u>	<u>21,397</u>
	<u>3,046,593</u>	<u>8,820,848</u>	11,867,441
Cash and cash equivalents			<u>207,848</u>
Total investments			<u>\$ 12,075,289</u>

There were no transfers between levels of investments during the year ended December 31, 2019.

The carrying amounts of cash and cash equivalents, contributions receivable, security deposits, accounts payable, vacation payable and grants payable approximate their fair value because of the short-term nature of these instruments.



# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

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#### NOTE 7 – NET ASSETS

As of December 31, 2019, all of AFA's net assets without donor restrictions were undesignated. Net assets with donor restrictions at December 31, 2019 consisted of the following:

Subject to Expenditure for Specified Purpose:	
Research grants	\$ 1,587,405
Other	446,345
Educating America Tour	<u>88,990</u>
	<u>2,122,740</u>
Subject to Donor Restrictions or AFA Spending Policy and Appropriation:	
Investment in perpetuity	450,000
Unappropriated earnings on investment in perpetuity available for general operating purposes	<u>34,818</u>
	<u>484,818</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,607,558</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the year ended December 31, 2019 as follows:

Purpose Restrictions Accomplished:	
Research grants	\$ 516,525
Other	30,000
Educating America Tour	<u>195,510</u>
	<u>742,035</u>
Release of Appropriated Endowment Earnings:	
General operating purposes	<u>--</u>
	<u>--</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 742,035</u>

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

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#### NOTE 8 – ENDOWMENT

AFA's endowment consists of one donor-restricted endowment fund established to support activities of the organization. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

AFA's endowment consisted solely of funds with donor restrictions and are as follows at December 31, 2019:

Donor Restricted Endowment Funds:

Original donor-restricted endowment gift amount and amounts required to be retained by donor	\$ 450,000
Unappropriated endowment earnings	<u>34,818</u>
	<u>\$ 484,818</u>

Changes in AFA's endowment consisted of the following for the year ended December 31, 2019:

Donor Restricted Endowment Funds:

Endowment net assets - beginning of year	\$ 450,000
Investment return, net	<u>34,818</u>
Endowment net assets - end of year	<u>\$ 484,818</u>

#### *INTERPRETATION OF RELEVANT LAW*

Management of AFA adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA permits charities to apply a spending policy to endowments based on certain specified standards of prudence. AFA is governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7% of the average of its previous five years' balance. As a result of this interpretation, AFA classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by AFA in a manner consistent with the standard of prudence prescribed by NYPMIFA.

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED  
DECEMBER 31, 2018)

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### NOTE 8 – ENDOWMENT (CONTINUED)

#### *RETURN OBJECTIVES, STRATEGIES EMPLOYED AND SPENDING POLICY*

AFA's current objective is to develop an investment policy that would protect the corpus of the endowment fund while earning investment income. The earnings on endowments are accounted for subject to donor restrictions until appropriated for expenditure.

#### *FUNDS WITH DEFICIENCIES*

There are no funds with deficiencies.

### NOTE 9 – LEASE COMMITMENTS

AFA leases space for its office under an operating lease, which was set to originally expire on November 30, 2021. AFA also leased satellite storage space on a month-to-month basis. AFA began leasing additional space for its Education and Resource Center, commencing on June 1, 2017. On March 26, 2019, AFA executed an amendment to the operating lease, which changed the configuration of the office and storage space and eliminated the month-to-month arrangement for the storage space. The new lease period is for six years. Rent expense for the year ended December 31, 2019 was \$434,211. AFA's future minimum rental commitments as of December 31, 2019 are as follows for the years ending December 31:

2020	\$	593,532
2021		608,370
2022		623,580
2023		639,169
2024		655,148
Thereafter		<u>671,527</u>
	\$	<u>3,791,326</u>

# ALZHEIMER'S FOUNDATION OF AMERICA

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### NOTE 10 – EMPLOYEE RETIREMENT PLAN

AFA had a 403(b) pension plan available to eligible employees. No contributions were made by AFA and the plan was terminated in 2019.

On January 1, 2019, AFA established the Alzheimer's Foundation of America 401(k) plan for eligible employees. The 401(k) plan includes discretionary employer matching and profit sharing provisions and allows for employee salary deferral contributions. AFA made \$78,993 of contributions to this plan in 2019.

### NOTE 11 – LIQUIDITY AND AVAILABILITY OF RESOURCES

AFA's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Financial assets, at year end:	
Cash and cash equivalents	\$ 13,284,903
Investments	12,075,289
Contributions receivable	999,867
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor in perpetuity	(450,000)
Subject to appropriation and satisfaction of donor restrictions	<u>(34,818)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 25,875,241</u>

AFA is substantially supported by contributions, some of which are restricted. Because a donor's restriction requires resources to be used in a particular manner or in a future period, AFA ensures that it maintains sufficient resources to meet those responsibilities to its donors.

As part of AFA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, AFA invests cash in excess of daily requirements in certain investments.