

**ALZHEIMER'S DRUG DISCOVERY FOUNDATION**

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

**DECEMBER 31, 2021**

**ALZHEIMER'S DRUG DISCOVERY FOUNDATION**

**INDEX TO FINANCIAL STATEMENTS**

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**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 nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021, 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.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements.**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Report on Summarized Comparative Information**

We have previously audited the Foundation's 2020 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Bencivenga Ward & Company, CPA's, P.C.*

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

Valhalla, New York  
November 4, 2022

**ALZHEIMER'S DRUG DISCOVERY FOUNDATION**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2021  
(With Comparative Amounts For 2020)**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 10,342,550	\$ 9,749,518
Investments, at fair value	75,988,369	76,370,497
Contributions receivable	29,947,933	11,255,768
Due from the Institute for the Study of Aging, Inc.	68,749	-
Other assets	72,474	5,940
<hr/>		
<b>Total assets</b>	<b>116,420,075</b>	<b>97,381,723</b>
<hr/>		
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	347,274	82,515
Mission related investments payable	51,494,985	47,599,968
Due to the Institute for the Study of Aging, Inc.	0	402,676
Deferred revenue	536,143	16,000
<hr/>		
<b>Total liabilities</b>	<b>52,378,402</b>	<b>48,101,159</b>
<hr/>		
<b>Net Assets</b>		
Without donor restrictions	33,483,278	22,219,906
With donor restrictions	30,558,395	27,060,658
<hr/>		
<b>Total net assets</b>	<b>64,041,673</b>	<b>49,280,564</b>
<hr/>		
<b>Total liabilities and net assets</b>	<b>\$ 116,420,075</b>	<b>\$ 97,381,723</b>

ALZHEIMER'S DRUG DISCOVERY FOUNDATION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(With Comparative Totals For 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Support and Revenues</b>				
Support:				
Contributions and grants	\$ 5,947,396	\$ 35,665,345	\$ 41,612,741	\$ 19,662,127
In-kind services and contributions-				
Contribution of services from the Institute for the Study of Aging, Inc.	3,330,651	-	3,330,651	3,363,452
Proceeds from special events, net of direct expenses	2,076,513	-	2,076,513	1,887,157
Net assets released from restrictions	32,167,608	(32,167,608)	-	-
Revenues:				
Mission related investment returns	9,100,510	-	9,100,510	4,827,486
Conference registration fees and other income	40,850	-	40,850	23,966
Investment (loss) income	(943,328)	-	(943,328)	914,769
<b>Total support and revenues</b>	<b>51,720,200</b>	<b>3,497,737</b>	<b>55,217,937</b>	<b>30,678,957</b>
<b>Expenses</b>				
Program services:				
Mission related investments	33,124,637	-	33,124,637	30,869,812
Unexecuted mission related investments	(2,072,542)	-	(2,072,542)	(6,068,743)
Other	5,861,033	-	5,861,033	4,257,402
<b>Total program services</b>	<b>36,913,128</b>	<b>-</b>	<b>36,913,128</b>	<b>29,058,471</b>
Supporting services:				
Fund raising	1,908,123	-	1,908,123	1,421,435
Management and general	1,635,577	-	1,635,577	1,135,455
<b>Total supporting services</b>	<b>3,543,700</b>	<b>-</b>	<b>3,543,700</b>	<b>2,556,890</b>
<b>Total expenses</b>	<b>40,456,828</b>	<b>-</b>	<b>40,456,828</b>	<b>31,615,361</b>
<b>Change in net assets</b>	<b>11,263,372</b>	<b>3,497,737</b>	<b>14,761,109</b>	<b>(936,404)</b>
<b>Net assets, beginning of year</b>	<b>22,219,906</b>	<b>27,060,658</b>	<b>49,280,564</b>	<b>50,216,968</b>
<b>Net assets, end of year</b>	<b>\$ 33,483,278</b>	<b>\$ 30,558,395</b>	<b>\$ 64,041,673</b>	<b>\$ 49,280,564</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, 2021  
(With Comparative Totals For 2020)**

	2021							2021	2020	
	Program Services			Supporting Services			Total Expenses			
	Core	Diagnostic's Accelerator	Total Program Services	Fund Raising	Management and General	Total Supporting Services				
Mission related investments	\$ 16,077,552	\$ 17,047,085	\$ 33,124,637	\$ -	\$ -	\$ -	\$ 33,124,637	\$ 30,869,812		
Unexecuted mission related investments	(2,072,542)	-	(2,072,542)	-	-	-	(2,072,542)	(6,068,743)		
Other expenses -										
Salaries, payroll taxes and employee benefits	3,223,866	410,539	3,634,405	1,413,765	1,296,099	2,709,864	6,344,269	4,543,946		
Website design, public relations and rebranding	54,392	399	54,791	662	543	1,205	55,996	93,513		
Professional fees	944,414	267,563	1,211,977	205,770	57,825	263,595	1,475,572	929,233		
Research, honorarium and internships	7,750	2,750	10,500	-	-	-	10,500	6,748		
Communications and publications	95,746	164,392	260,138	67,144	37,245	104,389	364,527	350,651		
Occupancy	169,205	-	169,205	102,536	83,106	185,642	354,847	320,543		
Sponsored conferences, meetings and travel	49,338	5,293	54,631	11,690	3,366	15,056	69,687	96,354		
Office	464,027	1,359	465,386	106,556	157,393	263,949	729,335	473,304		
<b>Total other expenses</b>	<b>5,008,738</b>	<b>852,295</b>	<b>5,861,033</b>	<b>1,908,123</b>	<b>1,635,577</b>	<b>3,543,700</b>	<b>9,404,733</b>	<b>6,814,292</b>		
<b>Total expenses</b>	<b>\$ 19,013,748</b>	<b>\$ 17,899,380</b>	<b>\$ 36,913,128</b>	<b>\$ 1,908,123</b>	<b>\$ 1,635,577</b>	<b>\$ 3,543,700</b>	<b>\$ 40,456,828</b>	<b>\$ 31,615,361</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, 2021  
(With Comparative Amounts For 2020)**

	<b>2021</b>	<b>2020</b>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 14,761,109	\$ (936,404)
<b>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities-</b>		
Donated securities	(252,473)	(7,756,615)
Realized and unrealized loss (gain) on investments, net	462,159	(2,122)
<b>Changes in operating assets and liabilities-</b>		
(Increase) decrease in contributions receivable	(18,692,165)	10,899,437
(Increase) decrease in other assets	(66,534)	157,235
(Decrease) increase in due to the Institute for the Study of Aging, Inc.	(471,425)	397,314
Increase (decrease) in accounts payable and accrued liabilities	264,759	(133,284)
Increase in mission related investments payable	3,895,017	970,864
Increase (decrease) in deferred revenue	520,143	(92,331)
<b>Net cash provided by operating activities</b>	<b>420,590</b>	<b>3,504,094</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	279,808,701	156,837,903
Purchases of investments	(279,636,259)	(181,794,237)
<b>Net cash flows provided (used) by investing activities</b>	<b>172,442</b>	<b>(24,956,334)</b>
<b>Net change in cash and cash equivalents</b>	<b>593,032</b>	<b>(21,452,240)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>9,749,518</b>	<b>31,201,758</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 10,342,550</b>	<b>\$ 9,749,518</b>

The accompanying notes are an integral part of this statement.



**1. ORGANIZATION**

Alzheimer's Drug Discovery Foundation (the "Foundation") is a not-for-profit, tax-exempt organization incorporated in Delaware in April 2004 whose mission 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 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 2018.

**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.

**Special Event Revenues**

Special event revenues, other than contributions, applicable to the current year are recognized as revenue in the year the event takes place. Special event revenues received for a future year's event are deferred and recognized when the event takes place.

**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 2021 and 2020, 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 November 4, 2022, the date which the financial statements were available to be issued.

# ALZHEIMER'S DRUG DISCOVERY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

### 3. INVESTMENTS

Investments consisted of the following at December 31, 2021 and 2020:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
U.S. Government Securities-				
Treasury Bills	\$ 22,725,882	\$ 22,683,683	\$ 13,840,138	\$ 13,842,649
Other Government Agencies	1,999,887	1,999,840	16,120,325	16,101,238
Corporate Money Market Instruments	30,093,489	30,085,204	32,383,691	32,285,488
Corporate Bonds and Notes	21,212,712	21,179,383	14,158,455	14,136,855
Equity Securities	41,615	40,259	4,267	4,267
	<u>\$ 76,073,585</u>	<u>\$ 75,988,369</u>	<u>\$ 76,506,876</u>	<u>\$ 76,370,497</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 prior years that became publicly traded in 2019. During 2020, this investment was sold.

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

In 2021 and 2020, the Foundation received support totaling approximately \$38,554,000 and \$19,000,000 from twenty and ten contributors, respectively, including donated securities in 2021 and 2020, which approximates seventy and sixty-one percent of total support and revenues, respectively. Five and one of the contributors, respectively, 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 Federal Deposit Insurance Corporation ("FDIC") insure the cash balances up to \$250,000. The Foundation's bank balances during 2021 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

**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, 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, 2021 and 2020 follow:

	2021			2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total
U.S. Government Securities-						
Treasury Bills	\$ -	\$22,683,683	\$ 22,683,683	\$ -	\$13,842,649	\$ 13,842,649
Other Government Agencies	-	1,999,840	1,999,840	-	16,101,238	16,101,238
Corporate Money Market Instruments		30,085,204	30,085,204		32,285,488	32,285,488
Corporate Bonds and Notes		21,179,383	21,179,383		14,136,855	14,136,855
Equity Securities	40,259	-	40,259	4,267	-	4,267
	<u>\$ 40,259</u>	<u>\$75,948,110</u>	<u>\$ 75,988,369</u>	<u>\$ 4,267</u>	<u>\$76,366,230</u>	<u>\$ 76,370,497</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 2020, the Fund made contribution payments in excess of grant returns totaling \$9,041. For 2021, the Fund will make contribution payments in the amount of \$13,917 in 2022.

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, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Cash in banks	\$ 9,269,683	\$ 8,339,713
Money market funds	<u>1,072,867</u>	<u>1,409,805</u>
	<u>\$ 10,342,550</u>	<u>\$ 9,749,518</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.

ALZHEIMER'S DRUG DISCOVERY FOUNDATION

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 9,313,318	\$ 3,721,361
Due in two to five years	21,111,238	7,520,425
Due in more than five years	<u>241,880</u>	<u>302,820</u>
	30,666,436	11,544,606
Less unamortized discount	<u>(718,503)</u>	<u>(288,838)</u>
	<u>\$ 29,947,933</u>	<u>\$ 11,255,768</u>

**9. RELATED PARTY TRANSACTIONS**

On January 1, 2011, the Foundation and the Institute entered 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, 2022. 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 \$3,330,651 in 2021 and \$3,363,452 in 2020. 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 2021 and 2020, members of the Board of Governors donated investment securities valued at approximately \$119,000 and \$35,000, respectively.

**10. NET ASSETS WITH DONOR RESTRICTIONS**

As of December 31, 2021 and 2020, the Foundation had net assets with donor restrictions of \$30,558,395 and \$27,060,658, respectively, consisting of the following time and purpose restrictions:

	<u>2021</u>	<u>2020</u>
Time-restricted funds	\$ 18,418,457	\$ 11,416,636
Purpose-restricted funds	11,881,932	15,403,412
Fund for Alzheimer Drug Discovery	<u>258,006</u>	<u>240,610</u>
	<u>\$ 30,558,395</u>	<u>\$ 27,060,658</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, and for an awards research program. In 2021 and 2020, net assets of \$32,167,608 and \$16,756,656 were released from restrictions, respectively.

**11. MISSION RELATED INVESTMENTS AND COMMITMENTS**

The Foundation has accrued mission related investments ("MRI") for drug research that have been approved by the Foundation's MRI Approval Board or Board of Governors in the amount of \$51,494,985 and \$47,599,968 as of December 31, 2021 and 2020, respectively. These MRIs are in the areas of drug discovery, clinical trials, early detection and prevention for cognitive aging and Alzheimer's disease.

During 2021 and 2020, MRIs approved in prior years totaling \$2,072,542 and \$6,068,743, respectively, were cancelled due to the inability of the grantee to meet the MRI requirements. These MRI's amounts had been included in mission related investments payable as of December 31, 2020 and 2019.

In 2021 and 2020, the Foundation received MRI returns in the amounts of \$9,100,510 and \$4,827,486, respectively.

**12. FUNDRAISING EVENTS**

Proceeds for events are shown in the Statement of Activities, net of direct costs, for the years ended December 31, 2021 and 2020 follow:

	<u>2021</u>	<u>2020</u>
Fundraising events proceeds	\$ 2,821,986	\$ 2,424,733
Less direct expenses	(745,473)	(537,576)
Net event proceeds	<u>\$ 2,076,513</u>	<u>\$ 1,887,157</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, 2020, from which the summarized information was derived.



# ALZHEIMER'S DRUG DISCOVERY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

### **14. 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, 2021 and 2020.

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>2021</b>	<b>2020</b>
Financial assets at year end:		
Cash and cash equivalents	\$ 10,342,550	\$ 9,749,518
Contributions receivable	29,947,933	11,255,768
Investments	<u>75,988,369</u>	<u>76,370,497</u>
Total financial assets	116,278,852	97,375,783
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>30,558,395</u>	<u>27,060,658</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 85,720,457</u>	<u>\$ 70,315,125</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.

### **15. COVID-19**

The COVID-19 pandemic and resulting global disruptions continue to cause economic uncertainty and volatility in financial markets and may cause a reduction in contributions and support and impact other aspects of the Foundation's operations. The impact of COVID-19 continues to evolve, and the Foundation is not able to estimate its full impact on the financial statements.

**16. ADOPTION OF ACCOUNTING PRINCIPLES**

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which will require entities to recognize lease assets and lease liabilities (related to leases previously classified as operating under U.S. GAAP) on the Statement of Financial Position. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after December 15, 2021. The Foundation will adopt this FASB in 2022.

In September 2020, the FASB issued Accounting Standards Update ("ASU") No. 2020 -07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. ASU 2020-07 increases the transparency of contributed nonfinancial assets of not-for-profit entities through enhancements to presentation and disclosure. Disclosure of contributed nonfinancial assets are disaggregated by category within the Statement of Activities and disclosures include qualitative information about monetizing, any donor-imposed restrictions, and a description of the valuation techniques to arrive at a fair value measurement. This ASU is effective for annual periods beginning after June 15, 2021. ADDF has early adopted and applied this ASU on a retrospective basis. These changes had no impact on the financial statements for the year ended December 31, 2021.