
ALZHEIMER'S DRUG DISCOVERY FOUNDATION



Alzheimer's
Drug Discovery
Foundation

Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2022 and 2021



ALZHEIMER'S DRUG DISCOVERY FOUNDATION
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors
Alzheimer's Drug Discovery Foundation

Opinion

We have audited the financial statements of Alzheimer's Drug Discovery Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of Alzheimer's Drug Discovery Foundation as of December 31, 2022, and the change 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditors' 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.

Report on 2021 Financial Statements

The financial statements of the Foundation as of and for the year ended December 31, 2021, were audited by another auditor whose report dated November 4, 2022, expressed an unmodified opinion on those statements.

Change in Accounting Principle

As discussed in Note 2M of the financial statements, the Foundation changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective January 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 for one year after the date that the financial statements are available to be issued.

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Auditors' 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 auditors' 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 GAAS 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 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 GAAS, 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 for a reasonable period of time.

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.

Mayer Hoffman McCann CPAs

New York, NY
September 26, 2023

ALZHEIMER'S DRUG DISCOVERY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents (Notes 2I and 14B)	\$ 9,679,574	\$ 10,342,550
Investments (Notes 2D, 2E, 6 and 7)	114,377,948	75,988,369
Contributions receivable, net (Notes 2F and 4)	213,144,667	29,947,933
Due from the Institute for the Study of Aging, Inc. (Notes 2H and 11)	-	68,749
Other assets	357,372	72,474
Operating lease right-of-use asset (Notes 2L, 2M and 10)	2,534,219	-
Property and equipment, net (Notes 2K and 8)	160,061	-
TOTAL ASSETS	\$ 340,253,841	\$ 116,420,075
LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,594,953	\$ 347,274
Mission related investments payable (Note 9)	50,849,708	51,494,985
Deferred revenue (Note 2G)	637,024	536,143
Operating lease liability (Notes 2L, 2M and 10)	2,659,982	-
TOTAL LIABILITIES	56,741,667	52,378,402
COMMITMENTS AND CONTINGENCIES (Note 13)		
NET ASSETS (Notes 2B and 12)		
Without donor restrictions	61,551,323	33,483,278
With donor restrictions	221,960,851	30,558,395
TOTAL NET ASSETS	283,512,174	64,041,673
TOTAL LIABILITIES AND NET ASSETS	\$ 340,253,841	\$ 116,420,075

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

ALZHEIMER'S DRUG DISCOVERY FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	For the Year Ended December 31, 2022			For the Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions and grants (Notes 2F and 14A)	\$ 21,827,257	\$ 224,422,930	\$ 246,250,187	\$ 5,947,396	\$ 35,665,345	\$ 41,612,741
Contribution of services from the Institute for the Study of Aging, Inc. (Notes 2H, 11 and 14A)	4,041,031	-	4,041,031	3,330,651	-	3,330,651
Proceeds from special events, net of direct expenses (Notes 2G and 5)	2,485,255	-	2,485,255	2,076,513	-	2,076,513
Mission related investment returns (Note 9)	6,415,669	-	6,415,669	11,173,052	-	11,173,052
Investment income (loss) (Note 6)	231,985	-	231,985	(943,328)	-	(943,328)
Contribution from merger (Note 1)	452,892	-	452,892	-	-	-
Conference registration fees and other income	10,000	-	10,000	40,850	-	40,850
Net assets released from restrictions (Note 12)	<u>33,020,474</u>	<u>(33,020,474)</u>	<u>-</u>	<u>32,167,608</u>	<u>(32,167,608)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>68,484,563</u>	<u>191,402,456</u>	<u>259,887,019</u>	<u>53,792,742</u>	<u>3,497,737</u>	<u>57,290,479</u>
EXPENSES (Note 2J):						
Program services:						
Core	26,511,743	-	26,511,743	21,086,290	-	21,086,290
Diagnostic's Accelerator	<u>9,515,182</u>	<u>-</u>	<u>9,515,182</u>	<u>17,899,380</u>	<u>-</u>	<u>17,899,380</u>
Total program services	<u>36,026,925</u>	<u>-</u>	<u>36,026,925</u>	<u>38,985,670</u>	<u>-</u>	<u>38,985,670</u>
Supporting services:						
Management and general	1,708,688	-	1,708,688	1,635,577	-	1,635,577
Fundraising	<u>2,680,905</u>	<u>-</u>	<u>2,680,905</u>	<u>1,908,123</u>	<u>-</u>	<u>1,908,123</u>
Total supporting services	<u>4,389,593</u>	<u>-</u>	<u>4,389,593</u>	<u>3,543,700</u>	<u>-</u>	<u>3,543,700</u>
TOTAL EXPENSES	<u>40,416,518</u>	<u>-</u>	<u>40,416,518</u>	<u>42,529,370</u>	<u>-</u>	<u>42,529,370</u>
CHANGE IN NET ASSETS	28,068,045	191,402,456	219,470,501	11,263,372	3,497,737	14,761,109
Net assets - beginning of year	<u>33,483,278</u>	<u>30,558,395</u>	<u>64,041,673</u>	<u>22,219,906</u>	<u>27,060,658</u>	<u>49,280,564</u>
NET ASSETS - END OF YEAR	<u>\$ 61,551,323</u>	<u>\$ 221,960,851</u>	<u>\$ 283,512,174</u>	<u>\$ 33,483,278</u>	<u>\$ 30,558,395</u>	<u>\$ 64,041,673</u>

ALZHEIMER'S DRUG DISCOVERY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)

	Program Services			Supporting Services			Total 2022	Total 2021
	Core	Diagnostic's Accelerator	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Mission related investments (Note 9)	\$ 21,364,700	\$ 8,091,221	\$ 29,455,921	\$ -	\$ -	\$ -	\$ 29,455,921	\$ 33,124,637
Salaries, payroll taxes and employee benefits (Note 11)	3,038,306	390,466	3,428,772	1,328,600	1,649,857	2,978,457	6,407,229	6,344,269
Website design, public relations and rebranding	274,688	10,919	285,607	-	-	-	285,607	55,996
Venue, catering and other special event direct expenses	-	-	-	-	1,387,492	1,387,492	1,387,492	-
Professional fees	590,080	778,146	1,368,226	117,114	179,050	296,164	1,664,390	1,475,572
Research, honorarium and internships	8,000	4,000	12,000	-	-	-	12,000	10,500
Communications and publications	230,398	82,196	312,594	41,817	106,331	148,148	460,742	364,527
Occupancy	182,589	-	182,589	87,490	102,706	190,196	372,785	354,847
Sponsored conferences, meetings and travel	410,531	156,687	567,218	18,932	22,225	41,157	608,375	69,687
Miscellaneous office expenses	412,451	1,547	413,998	114,735	177,968	292,703	706,701	729,335
Less: Direct costs of special events (Notes 2G and 5)	-	-	-	-	(944,724)	(944,724)	(944,724)	-
TOTAL EXPENSES	\$ 26,511,743	\$ 9,515,182	\$ 36,026,925	\$ 1,708,688	\$ 2,680,905	\$ 4,389,593	\$ 40,416,518	\$ 42,529,370

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

**ALZHEIMER'S DRUG DISCOVERY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total 2021</u>
	<u>Core</u>	<u>Diagnostic's Accelerator</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Mission related investments (Note 9)	\$ 16,077,552	\$ 17,047,085	\$ 33,124,637	\$ -	\$ -	\$ -	\$ 33,124,637
Salaries, payroll taxes and employee benefits (Note 11)	3,223,866	410,539	3,634,405	1,296,099	1,413,765	2,709,864	6,344,269
Website design, public relations and rebranding	54,392	399	54,791	543	662	1,205	55,996
Professional fees	944,414	267,563	1,211,977	57,825	205,770	263,595	1,475,572
Research, honorarium and internships	7,750	2,750	10,500	-	-	-	10,500
Communications and publications	95,746	164,392	260,138	37,245	67,144	104,389	364,527
Occupancy	169,205	-	169,205	83,106	102,536	185,642	354,847
Sponsored conferences, meetings and travel	49,338	5,293	54,631	3,366	11,690	15,056	69,687
Miscellaneous office expenses	464,027	1,359	465,386	157,393	106,556	263,949	729,335
TOTAL EXPENSES	<u>\$ 21,086,290</u>	<u>\$ 17,899,380</u>	<u>\$ 38,985,670</u>	<u>\$ 1,635,577</u>	<u>\$ 1,908,123</u>	<u>\$ 3,543,700</u>	<u>\$ 42,529,370</u>

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

ALZHEIMER'S DRUG DISCOVERY FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 219,470,501	\$ 14,761,109
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated securities	(14,190,352)	(252,473)
Realized and unrealized loss on investments, net	625,690	462,159
Reduction in carrying amount of right-of-use asset - operating leases	125,763	-
Subtotal	206,031,602	14,970,795
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	(183,196,734)	(18,692,165)
Due from the Institute for the Study of Aging, Inc.	68,749	(471,425)
Other assets	(284,898)	(66,534)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	2,247,679	264,759
Mission related investments payable	(645,277)	3,895,017
Deferred revenue	100,881	520,143
Net Cash Provided by Operating Activities	24,322,002	420,590
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment acquisitions	(160,061)	-
Proceeds from sale of investments	304,824,634	279,808,701
Purchase of investments	(329,649,551)	(279,636,259)
Net Cash (Used in) Provided by Investing Activities	(24,984,978)	172,442
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(662,976)	593,032
Cash and cash equivalents - beginning of year	10,342,550	9,749,518
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 9,679,574	\$ 10,342,550

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

ALZHEIMER'S DRUG DISCOVERY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

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

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.

Effective December 31, 2022, the Institute for the Study of Aging, Inc. (the "Institute"), a New York not-for-profit organization merged into the Foundation, with the Foundation as the surviving corporation in the merger. The purpose of the merger was to combine into one entity two organizations that support scientific research to rapidly accelerate the discover of drugs to prevent, treat and cure cognitive decline, Alzheimer's disease and related dementias proving for, among other things, greater efficiency in and elimination duplication of their separate administration and operations. The transaction was accounted for under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-805. In accordance with FASB ASC 958-805, the Foundation recognized the assets and liabilities of the Institute amounting to \$2,572,172 and \$2,119,280, respectively, as of December 31, 2022, and contribution income of \$452,892 as part of the transaction.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting*

The financial statements of the Foundation have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("GAAP").

B. *Basis of Presentation*

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* – represents net assets that are not subject to donor-imposed restrictions and may be expended for the purpose of 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* – represents 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 fund be maintained in perpetuity. Donor restrictions 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.

C. *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

D. *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.

ALZHEIMER'S DRUG DISCOVERY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fair Value Measurements

Investments are reported at fair value based upon quoted market value. Donated securities are recorded at their fair value, as determined using quoted market prices, at the date of donation. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 7.

F. 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 with donor restrictions 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 statements of activities as net assets released from restrictions.

As of both December 31, 2022 and 2021, the Foundation determined that an allowance for uncollectible contributions receivable was not necessary. The determination is based on a combination of factors, such as management's estimate of the creditworthiness of the contributors, a review of individual accounts outstanding and the aged basis of the receivable and historical experience.

G. Special Events Revenue

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

H. Contributed Services

The Foundation recognizes contributions of service 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 2022 and 2021, the Foundation recorded in-kind contributions provided by the Institute, which are further described in Note 11 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.

In-kind contributions for the years ended December 31 consisted of the following:

<u>Nonfinancial Asset</u>	<u>2022</u>	<u>2021</u>	<u>Usage in Programs/Activities</u>	<u>Donor-imposed Restrictions</u>	<u>Fair Value Techniques</u>
Office space, equipment, personnel, independent contractors and administrative support	\$ 4,041,031	\$ 3,330,651	Various programs of the Foundation	No associated donor restriction	Based on current rate of services provided and current value of goods donated

**ALZHEIMER'S DRUG DISCOVERY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. *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.

J. *Functional Allocation of Expenses*

The costs of providing various programs and other activities of the Foundation have been summarized on a functional basis in the statements of 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.

K. *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. The Foundation capitalizes property and equipment with a cost of \$2,000 or more and a useful life greater than one year. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

L. *Leases*

The Foundation determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use ("ROU") asset and lease liability in the statements of financial position. ROU asset and lease liability reflect the present value of future minimum lease payments over the lease term. The Foundation does not report ROU asset and lease liability for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expenses on a straight-line basis over the lease term.

M. *Reclassifications*

Certain line items in the December 31, 2021 financial statements have been reclassified to confirm to the December 31, 2022 presentation.

N. *Recently Enacted Accounting Standards*

IASB Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842) was adopted by the Foundation for the year ended December 31, 2022. This new standard introduces a new lease model that requires the recognition of lease assets and lease liabilities on the statement of financial position and the disclosure of key information about leasing arrangements. The Foundation adopted Topic 842 using January 1, 2022 as the date of initial adoption, which required the Foundation to recognize lease assets and liabilities as of that date. The adoption of Topic 842 was done using a modified retrospective approach that does not require restating prior periods, and as such the adoption had no impact to the prior year financial statements, including the change in net assets as previously reported.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURE

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 9,679,574	\$ 10,342,550
Contributions receivable	213,144,667	29,947,933
Investments	<u>114,377,948</u>	<u>75,988,369</u>
Total financial assets	337,202,189	116,278,852
Less: Net assets with donor restrictions	<u>(221,960,851)</u>	<u>(30,558,395)</u>
	<u>\$ 115,241,338</u>	<u>\$ 85,720,457</u>

The Foundation invests cash in excess of daily requirements in short-term investments, typically money market funds and U.S. Treasury Bills.

ALZHEIMER'S DRUG DISCOVERY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 – CONTRIBUTIONS RECEIVABLE, NET

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.

Contributions receivables, net consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 39,134,550	\$ 9,313,318
Due in two to five years	119,815,583	21,111,238
Due in more than five years	<u>83,741,880</u>	<u>241,880</u>
	242,692,013	30,666,436
Less unamortized discount	<u>(29,547,346)</u>	<u>(718,503)</u>
	<u>\$ 213,144,667</u>	<u>\$ 29,947,933</u>

The pledges to be received after one year are discounted at interest rates ranging from 0.18% to 4.45%. The pledge discount net of amortization is reflected as a decrease to contribution revenue in the accompanying financial statements and amounted to \$28,828,843 and \$429,665 as of December 31, 2022 and 2021, respectively.

NOTE 5 – FUNDRAISING EVENTS

Proceeds from events are shown in the statements of activities, net of direct costs, for the years ended December 31 are as follow:

	<u>2022</u>	<u>2021</u>
Fundraising event proceeds	\$ 3,429,979	\$ 2,821,986
Less direct expenses	<u>(944,724)</u>	<u>(745,473)</u>
Net event proceeds	<u>\$ 2,485,255</u>	<u>\$ 2,076,513</u>

The direct expenses are funded by support from specific donors.

NOTE 6 – INVESTMENTS

Investments consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
U.S. government securities		
Treasury bills	\$ 32,172,139	\$ 22,683,683
Other government agencies	23,095,149	1,999,840
Corporate money market instruments	37,185,101	30,085,204
Corporate bonds and notes	18,697,981	21,179,383
Equity securities	<u>3,227,578</u>	<u>40,259</u>
	<u>\$ 114,377,948</u>	<u>\$ 75,988,369</u>

Investment income (loss) consists of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Realized loss	\$ (2,911,987)	\$ (40,286)
Unrealized income (loss)	2,286,297	(1,149,819)
Interest and dividend income	<u>857,675</u>	<u>280,777</u>
	231,985	(909,328)
Less investment fees	<u>-</u>	<u>(34,000)</u>
	<u>\$ 231,985</u>	<u>\$ (943,328)</u>

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NOTE 7 – FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 1 valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Following is a description of the valuation methodologies used for investments measured at fair value:

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.

Financial assets carried at fair value at December 31, 2022 are classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
U.S. government securities:			
Treasury bills	\$ 32,172,139	\$ -	\$ 32,172,139
Other government agencies	-	23,095,149	23,095,149
Corporate money market instruments	32,596,813	4,588,288	37,185,101
Corporate bonds and notes	12,114,070	6,583,911	18,697,981
Equity securities	<u>3,227,578</u>	<u>-</u>	<u>3,227,578</u>
Total assets carried at fair value	<u>\$ 80,110,600</u>	<u>\$ 34,267,348</u>	<u>\$ 114,377,948</u>

Financial assets carried at fair value at December 31, 2021 are classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
U.S. government securities:			
Treasury bills	\$ -	\$ 22,683,683	\$ 22,683,683
Other government agencies	-	1,999,840	1,999,840
Corporate money market instruments	-	30,085,204	30,085,204
Corporate bonds and notes	-	21,179,383	21,179,383
Equity securities	<u>40,259</u>	<u>-</u>	<u>40,259</u>
Total assets carried at fair value	<u>\$ 40,259</u>	<u>\$ 75,948,110</u>	<u>\$ 75,988,369</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.

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NOTE 8 – PROPERTY AND EQUIPMENT, NET

As a result of the merger of the Foundation and the Institute effective December 31, 2022, the Foundation assumed the Institute's assets and liabilities, including its property and equipment. Property and equipment, net consist of the following as of December 31:

	<u>2022</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	\$ 506,072	5 – 7 years
Leasehold improvements	178,540	5 years
Total cost	684,612	
Less: accumulated depreciation	<u>(524,551)</u>	
Net book value	<u>\$ 160,061</u>	

NOTE 9 – 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 \$50,849,708 and \$51,494,985 as of December 31, 2022 and 2021, respectively. These MRIs are in the areas of drug discovery, clinical trials, early detection and prevention for cognitive aging and Alzheimer's disease. The primary purpose of MRI is to achieve the Foundation's programmatic mission, production of income from MRI is not the significant purpose. MRIs are accounted as programmatic investments; the contribution element of such investments are accounted for under ASC 958-720. Programmatic investments offer both financial and programmatic returns. Financial returns are recorded as income upon receipt in the statements of activities.

During the years ended December 31, 2022 and 2021, MRIs approved in the prior year totaling \$532,430 and \$2,072,542, respectively, were cancelled due to the inability of the grantee to meet the MRI requirements. These MRI amounts had been included in mission related investments payable as of December 31, 2021 and 2020.

The Foundation received MRI returns in the amounts of \$6,415,669 and \$11,173,052 for the years ended December 31, 2022 and 2021, respectively.

NOTE 10 – LEASES

The Foundation leases property under a long-term non-cancellable operating lease agreement which expires in 2030. The Foundation has elected the short-term exemption for all leases with a term of 12 months or less for both existing and ongoing leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Foundation has elected the option to use the incremental borrowing rate determined during a period comparable to lease terms as the discount rate where the implicit rate is not readily determinable.

The weighted-average remaining lease term of the operating lease is 7.92 years, and the weighted average discount rate of the operating lease is 1.63%.

As of December 31, 2022 the right-of-use asset balance totaled \$2,534,219 and the operating lease liability totaled \$2,659,982, as shown in the statement of financial position. Future minimum payments for non-cancelable leases for the next five years ending after December 31, 2022 and thereafter is as follows:

2023	\$ 345,526
2024	352,437
2025	329,381
2026	306,466
2027	374,009
Thereafter	<u>1,134,270</u>
Total lease payments	2,842,089
Less: present value discount	<u>(182,107)</u>
Present value of lease liabilities	<u>\$ 2,659,982</u>

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NOTE 11 – 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 was 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 \$4,041,031 and \$3,330,651 for the years ended December 31, 2022 and 2021, respectively. These in-kind contributions are shown as support in the statements of activities, and are included as salaries, payroll taxes and employee benefits and other expense categories in the statements of functional expenses.

During the years ended December 31, 2022 and 2021, members of the Board of Governors donated investment securities valued at approximately \$909,000 and \$119,000, respectively. During the year ended December 31, 2022, the Foundation received pledges from the Lauder family, the founders of the Foundation, totaling \$190 million to cover the operating expenses of the Foundation for the next ten to fifteen years.

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	<u>2022</u>	<u>2021</u>
Time restricted funds	\$ 207,402,106	\$ 18,418,457
Purpose restricted funds	14,280,894	11,881,932
Fund for Alzheimer Drug Discovery	<u>277,851</u>	<u>258,006</u>
	<u>\$ 221,960,851</u>	<u>\$ 30,558,395</u>

Net assets with donor restrictions consist of funds for the aging and Alzheimer’s disease prevention program, and for an awards research program. Net assets of \$51,020,474 and \$32,167,608 for the years ended December 31, 2022 and 2021, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time or other events specified by the donors.

In 2006, the Foundation created 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. Each Fund grant was structured to enable the Fund to share financially in the further commercial development of successful products or procedures, if any.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The Foundation believes it has no uncertain tax positions as of December 31, 2022 and 2021, in accordance with ASC Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 14 – CONCENTRATIONS

- A. During the years ended December 31, 2022 and 2021, the Foundation received support totaling approximately \$273,227,000 and \$38,554,000 from twenty two and twenty contributors, respectively, including donated securities in 2022 and 2021, which approximates ninety seven and seventy percent of total support and revenue, respectively. Nine and five 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.
- B. Cash and cash equivalents that potentially subject the Foundation to a concentration of credit risk include cash accounts that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits (\$250,000 per depositor, per insured financial institution) by approximately \$9,247,000 as of December 31, 2022. The excess includes outstanding checks.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through September 26, 2023, the date the financial statements were available to be issued.