

**ALZHEIMER'S FOUNDATION
OF AMERICA AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2014

**ALZHEIMER'S FOUNDATION
OF AMERICA AND AFFILIATE**

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Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Alzheimer's Foundation of America and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Long Island Alzheimer's Foundation, Inc. the Long Island affiliate, which statements reflect total assets constituting 15% of total assets at December 31, 2014 and total revenues constituting 4% of total revenue for the year then ended. Those statements were audited by component auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Alzheimer's Foundation of America and Affiliate, is based solely on the reports of the component auditors. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of the component auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alzheimer's Foundation of America and Affiliate as of December 31, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, effective August 1, 2014 Long Island Alzheimer's Foundation became a subsidiary of Alzheimer's Foundation of America, Inc. Our opinion is not modified for this matter.

Report on Summarized Comparative Information

We have previously audited Alzheimer's Foundation of America's December 31, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information contained in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of the component auditors, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Loeb + Troper LLP

November 11, 2015

**ALZHEIMER'S FOUNDATION
OF AMERICA AND AFFILIATE**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

(With Summarized Financial Information for December 31, 2013)

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 6,762,579	\$ 3,247,016
Investments (Note 2)	210,865	168,199
Contributions receivable - current	271,191	150,619
Account and program receivable	113,900	
Prepaid expenses	168,143	48,300
Inventory		36,914
Security deposits	19,933	19,933
Fixed assets - net (Note 3)	1,000,456	61,835
Other assets	1,633	
	\$ 8,548,700	\$ 3,732,816
Total assets		
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 318,562	\$ 107,938
Vacation payable	40,238	61,328
Deferred revenue	27,500	7,500
Line of credit (Note 8)	28,004	
	414,304	176,766
Total liabilities		
Net assets (Exhibit B)		
Unrestricted	6,383,071	2,365,706
Temporarily restricted (Note 4)	1,301,325	740,344
Permanently restricted	450,000	450,000
	8,134,396	3,556,050
Total net assets		
Total liabilities and net assets	\$ 8,548,700	\$ 3,732,816

See independent auditor's report.

The accompanying notes are an integral part of these statements.

ALZHEIMER'S FOUNDATION OF AMERICA AND AFFILIATE

EXHIBIT B

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

(With Summarized Financial Information for the Year Ended December 31, 2013)

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
					2014	2013
Revenues, gains and other support						
Contributions		\$ 7,328,312	\$ 859,886		\$ 8,188,198	\$ 5,936,492
Special events	\$ 285,461					
Less direct cost of special events	(177,382)	108,079			108,079	30,736
Membership dues		63,025			63,025	34,480
Investment income (Note 2)		22,274	1,616		23,890	27,033
Sale of inventory	12,754					
Less cost of goods sold	(38,662)	(25,908)			(25,908)	(2,500)
Program income		156,845			156,845	
Grants		105,955			105,955	
Miscellaneous		6,836			6,836	
In-kind contributions		1,172,665			1,172,665	
Net assets released from restrictions (Note 4)		320,521	(320,521)			
Total revenues, gains and other support		9,258,604	540,981		9,799,585	6,026,241
Expenses (Exhibit C)						
Program services - public awareness and support						
Alzheimer's Foundation of America		5,173,868			5,173,868	3,756,597
Long Island Alzheimer's Foundation, Inc.		464,406			464,406	
Total program services		5,638,274			5,638,274	3,756,597
Supporting services						
Management and general		400,354			400,354	332,937
Fund raising		473,673			473,673	354,953
Total supporting services		874,027			874,027	687,890
Total expenses		6,512,301			6,512,301	4,444,487

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ALZHEIMER'S FOUNDATION OF AMERICA AND AFFILIATE

EXHIBIT B

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CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

(With Summarized Financial Information for the Year Ended December 31, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2014</u>	<u>2013</u>
Change in net assets before other changes	\$ 2,746,303	\$ 540,981		\$ 3,287,284	\$ 1,581,754
Other changes					
Acquisition of net assets of of Long Island Alzheimer's Foundation, Inc. (Note 1)	<u>1,271,062</u>	<u>20,000</u>		<u>1,291,062</u>	
Change in net assets (Exhibit D)	4,017,365	560,981		4,578,346	1,581,754
Net assets - beginning of year	<u>2,365,706</u>	<u>740,344</u>	\$ <u>450,000</u>	<u>3,556,050</u>	<u>1,974,296</u>
Net assets - end of year (Exhibit A)	<u>\$ 6,383,071</u>	<u>\$ 1,301,325</u>	<u>\$ 450,000</u>	<u>\$ 8,134,396</u>	<u>\$ 3,556,050</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

ALZHEIMER'S FOUNDATION OF AMERICA AND AFFILIATE

EXHIBIT C

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014
(With Summarized Financial Information
for the Year Ended December 31, 2013)

	Program Services - Public Awareness and Support			Supporting Services			Cost of Goods Sold	Total	
	Alzheimer's Foundation of America	Long Island Alzheimer's Foundation, Inc.	Total	Management and General	Fund Raising	Direct Cost of Special Events		2014	2013
Salaries	\$ 1,216,637	\$ 288,061	\$ 1,504,698	\$ 112,126	\$ 247,543			\$ 1,864,367	\$ 1,204,827
Payroll taxes and benefits	180,180	52,652	232,832	14,640	36,451			283,923	175,713
Temporary personnel	3,235		3,235	243	566			4,044	14,704
Professional fees	616,405		616,405	22,250	84,161			722,816	602,591
Grants	545,500		545,500					545,500	499,950
Resource materials	49,911		49,911	3,327	2,218			55,456	106,144
Rent (Note 5)	161,044		161,044	10,736	7,157			178,937	166,524
Printing and postage	224,709	10,270	234,979	14,325	47,965			297,269	432,684
Advertising	575,215		575,215	86,032	3,427			664,674	593,940
Office	30,555	65,362	95,917	18,837	2,565			117,319	48,066
Conference and trade shows	112,507		112,507					112,507	131,029
Utilities	6,712		6,712	587	1,091			8,390	7,213
Entertainment	13,703		13,703	15,227	1,523			30,453	21,921
Registrations				9,065				9,065	16,416
Travel	30,235	17,142	47,377	2,160	10,799			60,336	18,103
Dues and subscriptions	10,292		10,292					10,292	9,667
Computer expense	123,101		123,101	7,694	23,081			153,876	175,039
Telephone	31,711		31,711	1,409	2,114			35,234	35,889
Catering and fees						\$ 177,382		177,382	112,965
Repairs and maintenance	41,620		41,620	2,775	1,850			46,245	42,353
Insurance	26,144	12,650	38,794	1,743	1,162			41,699	24,596
Bank charges and fees (includes interest of \$1,100 in 2014)				53,931				53,931	52,687
Supplies							\$ 38,662	38,662	11,617
In-kind advertising	1,172,665		1,172,665					1,172,665	
Depreciation		18,008	18,008	16,101				34,109	12,912
Bad debt									47,369
Miscellaneous	1,787	261	2,048	7,146				9,194	4,150
Total expenses	5,173,868	464,406	5,638,274	400,354	473,673	177,382	38,662	6,728,345	4,569,069
Less expenses deducted directly from revenue on the consolidated statement of activities									
Direct cost of special events						(177,382)		(177,382)	(112,965)
Cost of goods sold							(38,662)	(38,662)	(11,617)
Total expenses (Exhibit B)	\$ 5,173,868	\$ 464,406	\$ 5,638,274	\$ 400,354	\$ 473,673	\$ -	\$ -	\$ 6,512,301	\$ 4,444,487

See independent auditor's report.

The accompanying notes are an integral part of these statements.

EXHIBIT D**ALZHEIMER'S FOUNDATION OF AMERICA AND AFFILIATE****CONSOLIDATED STATEMENT OF CASH FLOWS****YEAR ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 4,578,346	\$ 1,581,754
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Endowment contributions		(270,000)
Depreciation	34,109	12,912
Net realized and unrealized gains	(15,597)	(23,717)
Donated securities		(43,540)
Net noncash activity from acquisition of net assets of Long Island Alzheimer's Foundation, Inc.	(916,129)	
Decrease (increase) in assets		
Contributions receivable	(120,572)	525,801
Accounts and program receivables	(16,887)	
Prepaid expenses	(112,981)	(12,654)
Inventory	36,914	30,607
Security deposits		1,870
Other assets	(1,633)	
Increase (decrease) in liabilities		
Accounts payable	152,822	(123,646)
Vacation payable	(21,090)	15,375
Deferred revenue	20,000	7,500
	<u>3,617,302</u>	<u>1,702,262</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of fixed assets	(68,727)	(17,048)
Purchase of investments	(85,332)	(3,851)
Proceeds from sales of investments	58,263	688
	<u>(95,796)</u>	<u>(20,211)</u>
Net cash used by investing activities		

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ALZHEIMER'S FOUNDATION OF AMERICA AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from financing activities		
Proceeds restricted for investment in endowment		\$ 270,000
Proceeds from line of credit	\$ 50,000	
Payments on line of credit	<u>(55,943)</u>	
Net cash provided (used) by financing activities	<u>(5,943)</u>	<u>270,000</u>
Net change in cash and cash equivalents	3,515,563	1,952,051
Cash and cash equivalents - beginning of year	<u>3,247,016</u>	<u>1,294,965</u>
Cash and cash equivalents - end of year	<u>\$ 6,762,579</u>	<u>\$ 3,247,016</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 1,100</u>	
Supplemental disclosure of noncash transactions		
Long Island Alzheimer's Foundation, Inc. noncash assets acquired		
Accounts and program receivables	\$ 97,013	
Prepaid expenses	6,862	
Fixed assets	904,003	
Liabilities acquired		
Line of credit	(33,947)	
Accounts payable	<u>(57,802)</u>	
Net noncash transactions	<u>\$ 916,129</u>	

See independent auditor's report.

The accompanying notes are an integral part of these statements.

ALZHEIMER'S FOUNDATION OF AMERICA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 1 - NATURE OF 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. The organization's primary sources of support are contributions.

Effective August 1, 2014, Long Island Alzheimer's Foundation, Inc. entered into an agreement with Alzheimer's Foundation of America to become a subsidiary of AFA.

Founded in 1988, Long Island Alzheimer's Foundation, Inc. (the "Organization") provides innovative support services for individuals with Alzheimer's disease and related dementias and their family caregivers in Nassau, Suffolk and Queens. The Organization's services include social adult day care programs, support groups for diagnosed individuals and caregivers, information and referral services, in-home respite services, brain fitness programs and Alzheimer's awareness, education and training. The Organization's primary sources of support are program income, contributions, grants and special events.

The Internal Revenue Service has determined that AFA and the Organization are 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 financial statements are prepared on the accrual basis of accounting.

Basis of consolidation - The financial information consolidated for the Organization is from August 1, 2014 to December 31, 2014 and for the five months then ended. All material intercompany transactions and balances have been eliminated in the consolidation.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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.

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ALZHEIMER'S FOUNDATION OF AMERICA AND AFFILIATE**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2014****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Investments - Investments are recorded at fair value. Investment securities are exposed to various risks such as interest rate, market and credit risk.

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 is included in contribution revenue. AFA and the Organization determine whether an allowance for uncollectibles should be provided. 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, 2014.

Inventory - Inventory is recorded at the lower of cost or market cost on a first-in and first-out basis.

Fixed assets - Fixed assets in excess of \$500 with an estimated useful life of greater than one year are capitalized. Depreciation is taken on the straight-line method over the assets' estimated useful lives of five to thirty-nine years.

Deferred revenue - Prepayments for events in the upcoming year are reflected as deferred revenue and are recognized in the period they are earned. All deferred revenue is expected to be earned in the next fiscal year.

In-kind contributions/expenses - In-kind contributions consist of donated advertising which is recorded at its value at the date of donation as revenue and an equal amount of expense.

Net assets - Unrestricted net assets are those whose use by AFA and the Organization has not been restricted by donors. Temporarily restricted net assets are those whose use by AFA and the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by AFA and the Organization in perpetuity.

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ALZHEIMER'S FOUNDATION OF AMERICA AND AFFILIATE**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2014****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Grants and contributions - Unconditional grants and contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily restricted or permanently 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Program income - Program income is recorded when services are provided.

Summarized financial information - The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Grants expense - Grants are expensed once approved by the Board.

Membership dues - Revenue for membership dues are recognized at the beginning of year.

Operating leases - Operating leases are straight-lined over the term of the lease. Deferred rent is recorded when there are material differences between the fixed payment and the rent expense. At December 31, 2014, no deferred rent was recorded.

Functional allocation of expenses - The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services for which the costs have been incurred.

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The 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 are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that AFA has the ability to access. Level 2 inputs to the valuation methodology include:

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ALZHEIMER'S FOUNDATION OF AMERICA AND AFFILIATE**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2014****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*****Fair Value Measurements (continued)***

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

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset's 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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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, 2014 as compared to those used at December 31, 2013.

Common stock, corporate bonds and exchange traded funds - Valued at the closing price reported on an active market on which the individual securities are traded.

Mutual funds - Valued at the net asset value ("NAV") of shares held at year end.

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.

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ALZHEIMER'S FOUNDATION OF AMERICA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

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

	<u>(Level 1)</u>
Corporate bonds	\$ 21,146
Common stock	
Consumer goods	35,032
Media	8,429
Financial	28,290
Healthcare	2,773
Transportation	2,092
Industrials	24,106
Technology	12,983
Utilities	19,768
Mutual funds - growth and income fund	7,147
Exchange traded funds	
U.S. Small Cap	<u>29,167</u>
Total Level 1 investments	190,933
Cash and cash equivalents	<u>19,932</u>
Total investments	<u>\$ 210,865</u>

Investment income consists of:

Interest and dividend income	\$ 8,293
Net realized and unrealized gains	<u>15,597</u>
Total investment income	<u>\$ 23,890</u>

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ALZHEIMER'S FOUNDATION OF AMERICA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising - It is the policy of AFA and the Organization to expense advertising costs as incurred.

Uncertainty in income taxes - AFA has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Periods ending December 31, 2011 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through November 11, 2015, which is the date the consolidated financial statements were available to be issued.

NOTE 3 - FIXED ASSETS

Land	\$ 150,000
Building and building improvements	1,149,616
Furniture and equipment	467,296
Land improvements	28,093
Transportation equipment	<u>98,301</u>
	1,893,306
Less accumulated depreciation	<u>(892,850)</u>
	<u>\$ 1,000,456</u>

NOTE 4 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are those assets whose use has been limited by donors for a specific time or purpose.

Temporarily restricted net assets at December 31, 2014 are available for the following purposes:

National Memory Day Screening	\$ 213,409
Leaders Engaged on Alzheimer's Disease	514,243
Research Grants	552,007
Building improvements	20,000
Unappropriated endowment earnings	<u>1,666</u>
	<u>\$ 1,301,325</u>

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ALZHEIMER'S FOUNDATION OF AMERICA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 4 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**(continued)**

Net assets were released from donor restrictions by incurring expenses satisfying the following temporarily restricted purposes:

National Memory Day Screening	\$ 141
Leaders Engaged on Alzheimer's Disease	200,563
Research Grants	<u>119,817</u>
	<u>\$ 320,521</u>

Endowments - Permanently Restricted Net Assets

General - AFA and the Organization'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.

Interpretation of Relevant Law

The Board of AFA and the Organization adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the "historic dollar value" standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. AFA and the Organization are 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 permanently restricted net assets (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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by AFA in a manner consistent with the standard of prudence prescribed by NYPMIFA.

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ALZHEIMER'S FOUNDATION OF AMERICA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 4 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

(continued)

Endowments - Permanently Restricted Net Assets (continued)Changes in Endowment Net Assets for the Year Ended December 31, 2014

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 50	\$ 450,000	\$ 450,000
Interest	<u>1,616</u>	<u> </u>	<u>1,616</u>
Endowment net assets, end of year	<u>\$ 1,666</u>	<u>\$ 450,000</u>	<u>\$ 451,616</u>

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. As of December 31, 2014, AFA has maintained the funds in cash and cash equivalents while the policy is being formulated.

The earnings on endowments are recorded in the temporarily restricted fund until appropriated for expenditure.

Endowment Net Asset Composition by Type of Fund as of December 31, 2014

Investments to be held in perpetuity are as follows:

Operating purposes	<u>\$ 450,000</u>
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Funds with Deficiencies

There are no funds with deficiencies.

NOTE 5 - LEASE COMMITMENTS

AFA leases space for its office under an operating lease which expired April 30, 2015 and was renewed for one year. AFA also leases satellite offices for storage space on a month-to-month basis. AFA's future minimum rental commitments as of December 31, 2014 are as follows:

2015	<u>\$ 47,389</u>
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ALZHEIMER'S FOUNDATION OF AMERICA AND AFFILIATE**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2014****NOTE 6 - CONCENTRATIONS**

Financial instruments which potentially subject AFA and the Organization to a concentration of credit risk are cash and cash equivalent accounts in excess of FDIC insurance limits.

NOTE 7 - EMPLOYEE RETIREMENT PLAN

AFA and the Organization have 403(b) pension plans available to eligible employees. No contributions were made by the employer in 2014.

NOTE 8 - LINE OF CREDIT

The Organization has a secured revolving line of credit agreement with a bank, which was originally established in 2005 in order to support short-term cash flow needs. The agreement stipulates a maximum loan amount of \$50,000 with an interest rate of one-half percent above the current prime rate of 3.75% as of December 31, 2014. As of December 31, 2014, there was \$28,004 in outstanding borrowings under this line.

NOTE 9 - LONG ISLAND ALZHEIMER'S FOUNDATION, INC.

On August 1, 2014 Alzheimer's Foundation of America, Inc. entered into an agreement with The Long Island Alzheimer's Foundation, Inc. Alzheimer's Foundation of America, Inc. is to be the sole member of the board of Long Island Alzheimer's Foundation, Inc., making Long Island Alzheimer's Foundation, Inc. a subsidiary of Alzheimer's Foundation of America, Inc.

On September 30, 2015, Alzheimer's Foundation of America, Inc. and Long Island Alzheimer's Foundation, Inc. entered into a contractual agreement for the best interest of each charity and their respective beneficiaries to rescind and unwind the transaction entered into on August 1, 2014, so as to put each corporation in the same status of separation and independence as existed immediately prior to the consummation of the transaction.

NOTE 10 - CONTINGENCY

AFA has sued Alzheimer's Disease & Related Disorder's Association, Inc. (AA) which has, in turn, countersued AFA. At this time, it is not possible to evaluate the ultimate outcome. No accruals have been reflected in these financial statements.

SCHEDULE 1

ALZHEIMER'S FOUNDATION OF AMERICA AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

	<u>Alzheimer's Foundation of America</u>	<u>Long Island Alzheimer's Foundation, Inc.</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 6,549,857	\$ 212,722	\$ 6,762,579
Investments	210,865		210,865
Contributions receivable - current	271,191		271,191
Accounts and program receivable		113,900	113,900
Prepaid expenses	164,835	3,308	168,143
Security deposits	19,933		19,933
Fixed assets - net	69,461	930,995	1,000,456
Other assets		1,633	1,633
	<u>7,286,142</u>	<u>1,262,558</u>	<u>8,548,700</u>
Total assets	\$ <u>7,286,142</u>	\$ <u>1,262,558</u>	\$ <u>8,548,700</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$ 235,621	\$ 82,941	\$ 318,562
Vacation payable	40,238		40,238
Deferred revenue	27,500		27,500
Line of credit		28,004	28,004
	<u>303,359</u>	<u>110,945</u>	<u>414,304</u>
Total liabilities	<u>303,359</u>	<u>110,945</u>	<u>414,304</u>
Net assets			
Unrestricted	5,251,458	1,131,613	6,383,071
Temporarily restricted	1,281,325	20,000	1,301,325
Permanently restricted	450,000		450,000
	<u>6,982,783</u>	<u>1,151,613</u>	<u>8,134,396</u>
Total net assets	<u>6,982,783</u>	<u>1,151,613</u>	<u>8,134,396</u>
Total liabilities and net assets	\$ <u>7,286,142</u>	\$ <u>1,262,558</u>	\$ <u>8,548,700</u>

See independent auditor's report.

ALZHEIMER'S FOUNDATION OF AMERICA AND AFFILIATE

SCHEDULE 2

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

	Year Ended December 31, 2014 Alzheimer's Foundation of America				Five Months Ended December 31, 2014 Long Island Alzheimer's Foundation, Inc.			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total	Total
Revenues, gains and other support								
Contributions				\$ 8,090,479			\$ 97,719	\$ 8,188,198
Special events	\$ 220,661				\$ 64,800			
Less direct cost of special events	(148,282)			72,379	(29,100)		35,700	108,079
Membership dues				63,025				63,025
Investment income			1,616	23,869		21	21	23,890
Sale of inventory	12,754							
Less cost of goods sold	(38,662)			(25,908)				(25,908)
Program income						156,845	156,845	156,845
Grants						105,955	105,955	105,955
Miscellaneous						6,836	6,836	6,836
In-kind contributions				1,172,665				1,172,665
Net assets released from restrictions				320,521				
Total revenues, gains and other support	8,855,528	540,981		9,396,509	403,076		403,076	9,799,585
Expenses								
Program services - public awareness and support								
Alzheimer's Foundation of America				5,174,385				5,174,385
Long Island Alzheimer's Foundation, Inc.						464,406	464,406	464,406
Total program services	5,174,385			5,174,385	464,406		464,406	5,638,791
Supporting services								
Management and general				362,274		37,563	37,563	399,837
Fund raising				433,117		40,556	40,556	473,673
Total supporting services	795,391			795,391	78,119		78,119	873,510
Total expenses	5,969,776			5,969,776	542,525		542,525	6,512,301
Change in net assets before other changes	2,885,752	540,981		3,426,733	(139,449)		(139,449)	3,287,284
Acquisition of net assets of Long Island Alzheimer's Foundation, Inc.					1,271,062	\$ 20,000	1,291,062	1,291,062
Change in net assets	2,885,752	540,981		3,426,733	1,131,613	20,000	1,151,613	4,578,346
Net assets - beginning of year	2,365,706	740,344	\$ 450,000	3,556,050				3,556,050
Net asset - end of year	\$ 5,251,458	\$ 1,281,325	\$ 450,000	\$ 6,982,783	\$ 1,131,613	\$ 20,000	\$ 1,151,613	\$ 8,134,396

See independent auditor's report.