



**The Zachary and Elizabeth M. Fisher
Center for Alzheimer's Research
Foundation**

FINANCIAL STATEMENTS

December 31, 2016

Independent Auditors' Report Included

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Independent Auditors' Report

Board of Trustees

**The Zachary and Elizabeth M. Fisher
Center for Alzheimer's Research Foundation**

We have audited the accompanying financial statements of The Zachary and Elizabeth M. Fisher Center for Alzheimer's Research Foundation, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Zachary and Elizabeth M. Fisher Center for Alzheimer's Research Foundation as of December 31, 2016, 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.

PKF O'Connor Davies, LLP

August 28, 2017

**The Zachary and Elizabeth M. Fisher
Center for Alzheimer's Research Foundation**

Statement of Financial Position
December 31, 2016

ASSETS

Cash and cash equivalents	\$ 3,436,871
Pledges receivable from federated campaigns, net	507,904
Contributions receivable	1,449,223
Investments	18,468,076
Furniture and equipment, net of accumulated depreciation of \$8,262	<u>1,491</u>
	<u>\$ 23,863,565</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued liabilities	\$ 123,854
Grant payable, net of discount	<u>4,594,376</u>
Total Liabilities	<u>4,718,230</u>
Net Assets	
Unrestricted	18,637,431
Temporarily restricted	<u>507,904</u>
Total Net Assets	<u>19,145,335</u>
 Total Liabilities and Net Assets	 <u>\$ 23,863,565</u>

See notes to financial statements

**The Zachary and Elizabeth M. Fisher
Center for Alzheimer's Research Foundation**

Statement of Activities
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 3,070,625	\$ 526,672	\$ 3,597,297
Bequests	781,194	-	781,194
In-kind contributions	517,614	-	517,614
Net assets released from restrictions	<u>615,692</u>	<u>(615,692)</u>	<u>-</u>
Total Support and Revenue	<u>4,985,125</u>	<u>(89,020)</u>	<u>4,896,105</u>
EXPENSES			
Program services	8,147,617	-	8,147,617
Management and general	302,669	-	302,669
Fundraising	<u>250,329</u>	<u>-</u>	<u>250,329</u>
Total Expenses	<u>8,700,615</u>	<u>-</u>	<u>8,700,615</u>
Deficiency of Support and Revenue Over Expenses Before Non-Operating Activity	(3,715,490)	(89,020)	(3,804,510)
NON-OPERATING ACTIVITY			
Interest and dividends, net of investment advisory fees	299,075	-	299,075
Realized and unrealized appreciation of investments	<u>497,229</u>	<u>-</u>	<u>497,229</u>
Change in Net Assets	<u>(2,919,186)</u>	<u>(89,020)</u>	<u>(3,008,206)</u>
NET ASSETS			
Beginning of year	<u>21,556,617</u>	<u>596,924</u>	<u>22,153,541</u>
End of year	<u>\$ 18,637,431</u>	<u>\$ 507,904</u>	<u>\$ 19,145,335</u>

See notes to financial statements

**The Zachary and Elizabeth M. Fisher
Center for Alzheimer's Research Foundation**

Statement of Functional Expenses
Year Ended December 31, 2016

	Program Services	Management and General	Fundraising	Total
Grant expenses - research	\$6,744,376	\$ -	\$ -	\$ 6,744,376
Payroll and related benefits	611,852	107,147	190,841	909,840
Magazine publication and other contracted services	213,259	-	-	213,259
Website expenses	509,038	-	-	509,038
Office expenses and supplies	5,829	10,213	3,523	19,565
Accounting	-	22,000	-	22,000
Telephone and Internet	55	4,071	1,263	5,389
Occupancy (in-kind)	27,889	4,995	8,741	41,625
Postage	4,708	4,433	3,816	12,957
Travel, food and lodging	26,463	11,230	2,163	39,856
Advertising	-	-	13,095	13,095
Insurance	-	9,803	-	9,803
Subscription, representation and credit card processing fees	-	-	26,887	26,887
Depreciation	-	1,223	-	1,223
Uncollectible pledges	-	120,657	-	120,657
Miscellaneous	4,148	6,897	-	11,045
Total Expenses	<u>\$8,147,617</u>	<u>\$ 302,669</u>	<u>\$ 250,329</u>	<u>\$ 8,700,615</u>

See notes to financial statements

**The Zachary and Elizabeth M. Fisher
Center for Alzheimer's Research Foundation**

Statement of Cash Flows
Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$(3,008,206)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	1,223
Donation of marketable securities	(153,485)
Realized and unrealized appreciation of investments	(497,229)
Uncollectible pledges	120,657
Changes in operating assets and liabilities	
Pledges receivable from federated campaigns	(31,637)
Contributions receivable	(918,924)
Accounts payable and accrued liabilities	2,958
Grant payable, net of discount	<u>4,594,376</u>
Net Cash from Operating Activities	<u>109,733</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments	12,078,798
Purchases of investments	(13,303,085)
Change in investment cash	<u>77,635</u>
Net Cash from Investing Activities	<u>(1,146,652)</u>
Net Change in Cash and Cash Equivalents	(1,036,919)

CASH AND CASH EQUIVALENTS

Beginning of year	<u>4,473,790</u>
End of year	<u>\$ 3,436,871</u>

See notes to financial statements

**The Zachary and Elizabeth M. Fisher
Center for Alzheimer's Research Foundation**

Notes to Financial Statements
December 31, 2016

1. Organization and Tax Status

The Zachary and Elizabeth M. Fisher Center for Alzheimer's Research Foundation (the "Foundation") was incorporated under the laws of the State of New York on October 24, 1995 and operates as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. The Foundation is an exempt public foundation under Section 509(a)(1); accordingly, contributions made to the Foundation qualify for the maximum charitable deduction for federal income tax purposes.

Program Services

The Foundation was formed primarily to support research to be conducted at the Zachary and Elizabeth M. Fisher Center for Research on Alzheimer's Disease at The Rockefeller University in New York City (the "Research Center"), for the purpose of finding the cause(s) and developing a cure for Alzheimer's disease. In addition, the Foundation's objectives are:

1. To solicit support for its charitable purpose from the general public and governmental agencies; to receive, hold, and administer funds, securities, gifts and bequests; and to use, disburse or donate the income and principal thereof, exclusively for charitable, scientific and educational purposes.
2. To provide a source of funding for research activities into the cause, cure and/or care of Alzheimer's disease sufferers at other research facilities.

Management and General

Management and general expenses consist of the costs associated with the direction of the overall affairs of the Foundation, including finance, accounting and administrative services.

Fundraising

Fundraising expenses consist of the costs associated with the direct solicitation of contributions to the Foundation.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to not-for-profit organizations.

**The Zachary and Elizabeth M. Fisher
Center for Alzheimer's Research Foundation**

Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

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 disclosure of contingencies, if any, at the date of the financial statements, and the reported amounts of support and revenue and expenses during the period then ended. Actual results could differ from those estimates.

Fair Value Measurements

The Foundation follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Cash and Cash Equivalents

The Foundation considers all cash deposited with banks and short-term investments with a maturity of three months or less at the time of purchase to be cash equivalents, except cash managed as a component of the Foundation's investment portfolio.

Measure of Operations

The Foundation includes in its measure of operations all revenues and expenses that are an integral part of its program and supporting activities and excludes investment return including realized and unrealized gains and losses within the investment portfolio.

Contributions and Pledges Receivable

Contributions, including unconditional commitments to give, are recorded as made or pledged at their present value. Pledges receivable represents contribution commitments made by various individuals who annually elect to participate in a payroll deduction program at their place of employment. The contributions are deducted from the employee payroll checks and remitted to the Foundation on a monthly basis. All pledges are expected to be received within the two year period following the year in which the pledge is made. All contributions are available for unrestricted use unless specifically restricted by the donor.

**The Zachary and Elizabeth M. Fisher
Center for Alzheimer's Research Foundation**

Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

Contributions and Pledges Receivable (continued)

Contributions received and unconditional promises to give are measured at their fair values and are classified as unrestricted, temporarily restricted, or permanently restricted support. Unconditional promises to give due in subsequent years are recorded at their net present value of estimated future cash flows using risk-adjusted interest rates.

Allowance for Uncollectible Pledges

An allowance for uncollectible pledges is estimated based on a combination of collection history and aging analysis. Management has recorded bad debt expense for pledges where collections are doubtful. The remaining pledges receivable are considered collectible and accordingly no allowance for uncollectible pledges is deemed necessary at December 31, 2016.

Investments Valuation and Income Recognition

Investments other than certificates of deposit and temporary cash investments are carried at fair value. Cash investments are valued at cost plus accrued interest. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Furniture and Equipment

Furniture and equipment are carried at cost and depreciated on a straight-line basis over the estimated useful lives of the assets, which is generally five years. Purchases of \$400 or less are expensed. The Foundation charges repairs and maintenance to expense as incurred.

Net Assets

The Foundation's net assets and changes therein are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets represent contributions with donor imposed restrictions that have not yet been satisfied or are time restricted. When a stipulated time restriction ends or a 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 restriction. Permanently restricted net assets are those which are established by donor gifts to provide a permanent endowment. There were no permanently restricted net assets at December 31, 2016.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management estimates.

**The Zachary and Elizabeth M. Fisher
Center for Alzheimer's Research Foundation**

Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

In-kind Contributions

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. In 2016, the Foundation received pro bono website services valued at \$475,989. Additionally, the use of office space, land line telephones and various auxiliary services valued at \$41,625 have been provided free of charge.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs for 2016 were \$13,095.

Accounting for Uncertainty in Income Taxes

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition or disclosure. The Foundation is no longer subject to examinations by the applicable taxing jurisdictions for tax years prior to 2013.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is August 28, 2017.

3. Credit Risk Concentration

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist primarily of cash and cash equivalents, investments, pledges and contributions receivable. At times cash balances held at financial institutions may be in excess of federally insured limits. The Foundation has not experienced any losses on its cash deposits. The investment portfolio is diversified by type of investment and industry concentrations so that no individual investment or group of investments represents a significant concentration of market risk. Concentrations of credit risk with respect to pledges and contributions receivable are generally diversified due to the large number of individuals composing the Foundation's donor base.

4. Pledges Receivable from Federated Fund-Raising Agreements

The Foundation has agreements with various federated campaigns across the United States to participate in solicitations for contributions from employees of businesses and industrial communities. The amount the Foundation recognizes as support from these federated campaigns is based primarily upon formulas contained in these agreements, net of the federated campaigns' fundraising expenses.

**The Zachary and Elizabeth M. Fisher
Center for Alzheimer's Research Foundation**

Notes to Financial Statements
December 31, 2016

4. Pledges Receivable from Federated Fund-Raising Agreements (continued)

During 2016, \$360,000 was estimated to be pledged through federated campaigns. This amount has been recorded as contribution revenue in the statement of activities and is expected to be fully collected by 2018. Estimated payments to be received after December 31, 2017 are discounted to their present value using an interest rate of 3.92%. Total pledges receivable from current and prior year federated campaigns at December 31, 2016 are summarized as follows:

Receivable within one year	\$ 338,094
Receivable within two years	176,600
Discount to present value	<u>(6,790)</u>
Total	<u>\$ 507,904</u>

5. Investments and Investment Return

As of December 31, 2016, all of the Foundation's investments, other than certificates of deposit and temporary cash investments, bought, sold and held were valued using Level 1 inputs under the fair value hierarchy. Investments consist of the following at December 31, 2016:

Measured at Fair Value

Equity Securities	
Services	\$ 1,486,581
Technology	1,183,701
Financial	1,064,577
Healthcare	1,164,633
Consumer goods	734,449
Materials	726,985
Industrial goods	638,760
Mutual Funds and Exchange-Traded Funds	
Large blend funds	30,319
Large value funds	41,207
Large cap funds	1,550
Small blend funds	6,051
Large growth funds	17,855
Global large-cap value fund	<u>6,477,317</u>
Total at Fair Value	13,573,985
Cash Investments, at Cost plus Accrued Interest	
Temporary cash investments	193,296
Certificates of deposit	<u>4,700,795</u>
Total Investments	<u>\$ 18,468,076</u>

**The Zachary and Elizabeth M. Fisher
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Notes to Financial Statements
December 31, 2016

5. Investments and Investment Return (continued)

Investment income for 2016 consists of the following:

Interest and dividends	\$ 349,382
Net realized and unrealized appreciation	497,229
Investment advisory fees	<u>(50,307)</u>
	<u>\$ 796,304</u>

6. Related Party Transactions

A member of the Foundation's Board is an officer in a bank wherein the Foundation holds approximately \$6 million in assets. The Foundation's Board and management recognize the nature of the related party relationship and have implemented a special review and approval policy for all transactions with this bank. Accordingly, the bank's performance and financial strength is reviewed regularly and each transaction with the bank is explicitly approved by the Foundation's Investment Committee and Board.

7. Grant Payable

In October 2016, the Foundation entered into a gift agreement to provide \$5 million to a university for research activities in the cause, cure and/or care of Alzheimer's disease. The gift will be fulfilled over a seven year period, with the first payment to commence in 2017.

The Foundation has recorded a grant payable, net of discounts to present value, for this commitment. Gross payments of \$4,285,000 at December 31, 2016, with payments due in future years, were discounted to present value using a discount rate of 2.92%. Grant payable in the accompanying statement of financial position is due as follows at December 31, 2016:

Less than one year	\$ 715,000
Greater than one year	<u>4,285,000</u>
	5,000,000
Discount to present value	<u>(405,624)</u>
Total	<u>\$ 4,594,376</u>

**The Zachary and Elizabeth M. Fisher
Center for Alzheimer's Research Foundation**

Notes to Financial Statements
December 31, 2016

8. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets consist of the following:

<u>Purpose / Restriction</u>	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance at December 31, 2016</u>
Magazine publications	\$ -	\$ 2,462	\$ (2,462)	\$ -
Research	-	171,000	(171,000)	-
Time restrictions	596,924	353,210	(442,230)	507,904
	<u>\$ 596,924</u>	<u>\$ 526,672</u>	<u>\$ (615,692)</u>	<u>\$ 507,904</u>

9. Retirement Plan

The Foundation has a Section 401(k) plan for all eligible full time employees. Plan expense for 2016 amounted to \$6,018.

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