

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

Financial Statements

December 31, 2013

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, 2013, 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, 2013, 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.

O'Connor Davies, LLP

August 6, 2014

O'CONNOR DAVIES, LLP
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**The Zachary and Elizabeth M. Fisher
Center for Alzheimer's Research Foundation**

Statement of Financial Position
December 31, 2013

ASSETS

Cash and cash equivalents	\$ 5,734,639
Pledges receivable from federated campaigns, net	695,295
Accounts receivable	254,819
Investments	15,605,278
Furniture and equipment, net of accumulated depreciation of \$3,693	<u>6,670</u>
	<u>\$ 22,296,701</u>

LIABILITIES AND NET ASSETS

Liabilities	
Grants payable	\$ 200,000
Accounts payable and accrued liabilities	<u>35,009</u>
Total Liabilities	<u>235,009</u>
Net Assets	
Unrestricted	20,998,468
Temporarily restricted	<u>1,063,224</u>
Total Net Assets	<u>22,061,692</u>
	<u>\$ 22,296,701</u>

**The Zachary and Elizabeth M. Fisher
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Statement of Activities
Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 2,346,973	\$ 841,002	\$ 3,187,975
Bequests	1,702,211	-	1,702,211
In-kind contributions	542,493	-	542,493
Net assets released from restrictions	<u>759,109</u>	<u>(759,109)</u>	<u>-</u>
Total Support and Revenue	<u>5,350,786</u>	<u>81,893</u>	<u>5,432,679</u>
EXPENSES			
Program services	4,454,708	-	4,454,708
Management and general	153,148	-	153,148
Fundraising	<u>226,528</u>	<u>-</u>	<u>226,528</u>
Total Expenses	<u>4,834,384</u>	<u>-</u>	<u>4,834,384</u>
(Deficiency) Excess of Support and Revenue Over Expenses Before Non-Operating Activity	516,402	81,893	598,295
NON-OPERATING ACTIVITY			
Interest and dividends, net of investment advisory fees	238,793	-	238,793
Realized gain on sale of investments	44,541	-	44,541
Unrealized appreciation of investments	1,570,688	-	1,570,688
Loss on disposal of equipment	<u>(13,326)</u>	<u>-</u>	<u>(13,326)</u>
Change in Net Assets	2,357,098	81,893	2,438,991
NET ASSETS			
Beginning of year	<u>18,641,370</u>	<u>981,331</u>	<u>19,622,701</u>
End of year	<u>\$ 20,998,468</u>	<u>\$ 1,063,224</u>	<u>\$ 22,061,692</u>

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

Statement of Functional Expenses
Year Ended December 31, 2013

	Program	Management and General	Fundraising	Total
Grant expenses - research	\$3,150,000	\$ -	\$ -	\$ 3,150,000
Payroll and related benefits	612,828	90,938	152,629	856,395
Magazine publication	140,000	-	-	140,000
Website expenses	491,580	-	-	491,580
Office expenses and supplies	-	12,909	2,173	15,082
Accounting	-	21,000	-	21,000
Telephone and Internet	-	3,123	1,215	4,338
Occupancy (in-kind)	60,300	3,350	3,350	67,000
Postage	-	760	4,931	5,691
Travel, food and lodging	-	2,679	999	3,678
Advertising	-	-	35,625	35,625
Insurance	-	7,633	-	7,633
Credit card processing fees and bank charges	-	-	22,872	22,872
Depreciation	-	1,700	-	1,700
Miscellaneous	-	9,056	2,734	11,790
Total Expenses	<u>\$4,454,708</u>	<u>\$ 153,148</u>	<u>\$ 226,528</u>	<u>\$ 4,834,384</u>

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

Statement of Cash Flows
Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 2,438,991
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	1,700
Loss on disposal of equipment	13,326
Donation of marketable securities	(59,040)
Unrealized appreciation of investments	(1,570,688)
Net realized gain on sale of investments	(44,541)
Changes in operating assets and liabilities	
Pledges receivable	286,036
Accounts receivable	(156,728)
Grants payable	200,000
Accounts payable and accrued expenses	(1,299)
Net Cash From Operating Activities	<u>1,107,757</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment	(3,722)
Proceeds from sale of investments	2,894,938
Purchases of investments	(4,010,524)
Change in investment cash	<u>2,146,651</u>
Net Cash From Investing Activities	<u>1,027,343</u>
Net Change in Cash and Cash Equivalents	2,135,100

CASH AND CASH EQUIVALENTS

Beginning of year	<u>3,599,539</u>
End of year	<u>\$ 5,734,639</u>

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

Notes to Financial Statements
December 31, 2013

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 Expenses

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
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Notes to Financial Statements
December 31, 2013

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 bequests, as well as realized and unrealized gains and losses within the investment portfolio and loss on disposal of equipment.

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.

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Notes to Financial Statements
December 31, 2013

2. Summary of Significant Accounting Policies (*continued*)

Allowance for Uncollectible Pledges

An allowance for uncollectible pledges is estimated based on a combination of collection history and aging analysis. Management estimated no allowance for uncollectible pledges at December 31, 2013.

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

Office 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.

Grants Payable

Grants are recognized as grants expense and payable at the time the Foundation has an obligation to transfer the promised assets in the future, which generally occurs when the Foundation approves a specific grant or the grantee is notified.

Net Assets

The Foundation's net assets and changes therein are classified as unrestricted, temporarily restricted and 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, 2013.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are classified as unrestricted, temporarily restricted, or permanently restricted support. If donor restrictions are met within the same reporting period as when the contribution was made, those contributions are recorded as unrestricted 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.

**The Zachary and Elizabeth M. Fisher
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Notes to Financial Statements
December 31, 2013

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 2013, the Foundation received pro bono website services valued at \$475,493. Additionally, for 2013, the use of office space, land line telephones and various auxiliary services valued at \$67,000 has been provided free of charge.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs for 2013 were \$35,625.

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 2010.

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 6, 2014.

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 accounts 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 investments 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 accounts 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.

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Notes to Financial Statements
December 31, 2013

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

During 2013, \$387,955 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 2015. Estimated payments to be received after December 31, 2014 are discounted to their present value using an interest rate of 3.34%. Total pledges receivable from current and prior year federated campaigns at December 31, 2013 are summarized as follows:

Receivable within one year	\$ 507,587
Receivable within two years	193,977
Discount to present value	<u>(6,269)</u>
Total	<u>\$ 695,295</u>

5. Investments and Investment Return

As of December 31, 2013, 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, 2013:

Measured at Fair Value

Equity Securities

Services	\$ 1,129,437
Technology	723,217
Financial	656,236
Healthcare	549,398
Consumer goods	466,251
Materials	449,932
Industrials	394,088
Oil and gas	47,651
Auto	8,424

Mutual Funds

Intermediate term bond funds	1,691,622
Short term bond funds	1,138,010
Large blend funds	1,122,857
Large value funds	710,399
International stock funds	690,338
Large growth funds	609,412
International bond funds	<u>309,464</u>
Total at Fair Value	10,696,736

Cash investments, at cost plus accrued interest

Temporary cash investments	1,194,060
Certificates of deposit	<u>3,714,482</u>
Total Investments	<u>\$15,605,278</u>

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Notes to Financial Statements
December 31, 2013

5. Investments and Investment Return (continued)

Investment income for 2013 consists of the following:

Interest and dividends	\$ 308,109
Realized and unrealized gains	1,615,229
Investment advisory fees	<u>(69,316)</u>
	<u>\$1,854,022</u>

6. Related Party Transactions

A member of the Foundation's Board is an officer in a Bank wherein the Foundation holds approximately \$3.5 million in certificates of deposit. 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 the 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 of Trustees.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2013 include donor pledges restricted as to timing. Temporarily restricted net assets were released because the stipulated time restrictions have ended.

8. Retirement Plan

The Foundation has a Section 401(k) pension plan for all eligible full time employees. Plan expense for 2013 amounted to \$8,103.

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