

**AMERICAN FEDERATION FOR**  
**AGING RESEARCH**

**DECEMBER 31, 2013**

OWEN J. FLANAGAN & COMPANY  
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DONALD F. SCHERER

**Independent Auditor's Report**

**Board of Directors of  
American Federation for Aging Research, Inc.  
55 West 39<sup>th</sup> Street, 16<sup>th</sup> Floor  
New York, NY 10018**

We have audited the accompanying financial statements of American Federation for Aging Research, Inc. ("AFAR"), 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.

***Auditor's 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 auditor's judgment, including the assessment of the risk 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Federation for Aging Research, Inc. as of December 31, 2013 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited the American Federation for Aging Research, Inc.'s December 31, 2012 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated May 22, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Owen J. Flanagan & Co.*

New York, New York  
June 17, 2014

**AMERICAN FEDERATION FOR AGING RESEARCH, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2013**  
**(WITH COMPARATIVE TOTALS FOR 2012)**

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and cash equivalents (Note 7 and 17)	\$ 8,786,809	\$ 7,651,256
Contributions receivable (Note 3)	8,112,887	8,047,442
Investments (Note 4, 5, 17)	7,719,888	6,508,744
Prepaid expenses, deposits and other assets (Note 18)	<u>85,375</u>	<u>130,926</u>
<u>Total Current Assets</u>	24,704,959	22,338,368
Contributions receivable - long term (Note 3)	10,557,065	11,562,515
Furniture, equipment and leasehold improvements - net (Note 12)	69,088	66,543
Beneficial interest in charitable remainder trust (Note 14)	<u>1,078,529</u>	<u>879,388</u>
<u>Total Assets</u>	<u>36,409,641</u>	<u>34,846,814</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Research grants and scholarships payable (Note 6)	\$ 2,829,821	\$ 3,718,306
Accounts payable and accrued expenses	<u>47,352</u>	<u>191,265</u>
<u>Total Current Liabilities</u>	2,877,173	3,909,571
Research grants and scholarships payable - long-term (Note 6)	<u>920,029</u>	<u>1,783,210</u>
<u>Total Liabilities</u>	<u>3,797,202</u>	<u>5,692,781</u>
Net Assets		
Unrestricted	4,105,021	3,133,774
Temporarily restricted (Note 7)	24,627,172	22,140,013
Permanently restricted (Note 9)	<u>3,880,246</u>	<u>3,880,246</u>
<u>Total Net Assets</u>	<u>32,612,439</u>	<u>29,154,033</u>
<u>Total Liabilities and Net Assets</u>	<u>36,409,641</u>	<u>34,846,814</u>

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

**AMERICAN FEDERATION FOR AGING RESEARCH, INC.**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2013**  
**(WITH COMPARATIVE TOTALS FOR 2012)**

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total 2013	Total 2012
	Operating	Reserve	Board Designated				
<u>Support, Revenue and Reclassifications</u>							
Contributions	\$ 569,000		\$ 569,000	\$ 9,666,225		\$10,235,225	\$12,237,347
Changes in beneficial interest in charitable remainder trust				199,141		199,141	36,983
Investment income, net (Note 13)	3,821	\$ 144,281	\$ 613,431	672,552		1,434,085	783,529
Investment drawdown	251,925		(71,362)	(180,563)			
AFAR Dinner and Conference, net (Note 18)	145,897					145,897	(7,162)
Conference registration	23,018					23,018	13,034
Net Assets released from restrictions	7,870,196		7,870,196	(7,870,196)			
<u>Total</u>	<u>8,863,857</u>	<u>144,281</u>	<u>542,069</u>	<u>2,487,159</u>		<u>12,037,366</u>	<u>13,063,731</u>
<u>Expenses (Exhibit D)</u>							
Research Grants and Scholarships	7,262,820					7,262,820	8,189,312
Meetings and Public Education	540,785					540,785	509,641
Management and general	429,840					429,840	446,047
Fund-raising	345,515					345,515	327,893
<u>Total</u>	<u>8,578,960</u>		<u>8,578,960</u>			<u>8,578,960</u>	<u>9,472,893</u>
Change in Net Assets for Year	284,897	144,281	542,069	2,487,159		3,458,406	3,590,838
Net Assets, beginning of year	277,034	1,379,404	1,477,336	22,140,013	3,880,246	29,154,033	25,563,195
Net Assets, End of Year	561,931	1,523,685	2,019,405	24,627,172	3,880,246	32,612,439	29,154,033

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

**AMERICAN FEDERATION FOR AGING RESEARCH, INC.**  
**STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2013**  
**(WITH COMPARATIVE TOTALS FOR 2012)**

	<u>2013</u>	<u>2012</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Change in Net Assets for the year	\$3,458,406	\$3,590,838
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	24,076	18,343
Realized and change in unrealized appreciation, net	(1,128,934)	(670,328)
Change in beneficial interest in Charitable Remainder Trust	(199,141)	(36,983)
Change in operating assets and liabilities:		
Contributions receivable	940,005	(1,711,818)
Prepaid expenses, deposits and other assets	45,551	(40,684)
Accounts payable and accrued expenses	(143,913)	(218,060)
Research grants and scholarships payable	<u>(1,751,666)</u>	<u>(1,708,001)</u>
<b><u>Net Cash Provided by (Used in) Operating Activities</u></b>	<u>1,244,384</u>	<u>(776,693)</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Net sales (purchases) of short-term cash investments	83,459	(75,097)
Purchases of investments	(1,360,073)	(638,197)
Proceeds from sales of investments	1,194,404	729,634
Purchase of furniture and equipment	<u>(26,621)</u>	<u>(101)</u>
<b><u>Net Cash (Used in) Provided by Investing Activities</u></b>	<u>(108,831)</u>	<u>16,239</u>
Net increase (decrease) in cash and cash equivalents	1,135,553	(760,454)
Cash and cash equivalents, beginning of year	<u>7,651,256</u>	<u>8,411,710</u>
Cash and cash equivalents, end of year	<u><u>8,786,809</u></u>	<u><u>7,651,256</u></u>

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

**AMERICAN FEDERATION FOR AGING RESEARCH, INC.**  
**STATEMENT OF FUNCTIONAL ALLOCATION**

**DECEMBER 31, 2013**

**(WITH COMPARATIVE TOTALS FOR 2012)**

	Research Grants and Scholarships	Meetings and Public Education	Total Program	Management and General	Fund-Raising	Total Supporting Services	Total 2013	Total 2012
AFAR grants	\$3,350,887	\$ 11,110	\$3,350,887				\$3,350,887	\$3,745,019
Beeson grants (Note 18)	350,000	11,110	350,000				350,000	800,000
Medical Student grants	233,795		233,795				233,795	256,502
National Program Offices grants	2,403,460		2,403,460				2,403,460	2,417,077
Other grants and scholarships	7,500		18,610				18,610	19,499
Grants rescinded	6,345,642		6,356,752				6,356,752	7,235,097
Grant refunds and discounts	(318,926)		(318,926)				(318,926)	
	(132,244)		(132,244)				(132,244)	(241,267)
<b>Total Grants and Scholarships (Net)</b>	<b>5,894,472</b>	<b>11,110</b>	<b>5,905,582</b>				<b>5,905,582</b>	<b>6,993,830</b>
Salaries	544,611	105,898	650,509	\$229,303	\$202,985	\$432,288	1,082,797	1,001,673
Payroll taxes and employee benefits	138,844	27,004	165,848	58,472	51,761	110,233	276,081	250,237
<b>Total Salaries and Related Expenses</b>	<b>683,455</b>	<b>132,902</b>	<b>816,357</b>	<b>287,775</b>	<b>254,746</b>	<b>542,521</b>	<b>1,358,878</b>	<b>1,251,910</b>
Conferences and symposia	384,483	163,929	548,412	21,240	19,354	40,594	589,006	536,561
Website development and content	2,075	7,515	9,590				9,590	45,534
Publications	23,526	20,175	43,701	4,252	1,495	5,747	49,448	80,775
Rent	94,560	26,155	120,715	42,250	38,226	80,476	201,191	189,237
Scientific advisors and writers	43,375		43,375	2,730	1,200	3,930	47,305	92,917
Office and technology	25,398	10,418	35,816	18,073	17,188	35,261	71,077	67,453
Professional fees				26,000		26,000	26,000	30,266
Depreciation and amortization	11,316	3,130	14,446	5,056	4,575	9,631	24,077	18,343
Insurance				13,219		13,219	13,219	10,104
Telephone	3,498	1,452	4,950	7,090	2,021	9,111	14,061	14,442
Dues and filing fees	14,428		14,428	2,155	500	2,655	17,083	9,264
Public relations and communications	50,650	163,249	213,899				213,899	80,713
Training sites	31,584		31,584				31,584	40,923
Other		750	750		6,210	6,210	6,960	10,621
<b>Total Other Expenses</b>	<b>684,893</b>	<b>396,773</b>	<b>1,081,666</b>	<b>142,065</b>	<b>90,769</b>	<b>232,834</b>	<b>1,314,500</b>	<b>1,227,153</b>
<b>Total Expenses</b>	<b>7,262,820</b>	<b>540,785</b>	<b>7,803,605</b>	<b>429,840</b>	<b>345,515</b>	<b>775,355</b>	<b>8,578,960</b>	<b>9,472,893</b>

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

**AMERICAN FEDERATION OF AGING RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 1 - Organization**

American Federation for Aging Research, Inc. ("AFAR") was incorporated under the laws of New York in 1981 in response to the growing need for research and treatment of aging and age-related disease. AFAR grants and fellowships allow young scientists and physicians to consider aging research and the care of the elderly as a career. AFAR also supports conferences related to the research of aging and age-related disease.

The majority of AFAR's support comes from donations from foundations and individuals.

AFAR is exempt from income taxes under Internal Revenue Code section 501(c)3 and has been classified as an organization that is not a private foundation. AFAR is also exempt from New York State and City franchise taxes.

**Note 2- Summary of Significant Accounting Policies**

**Basis of Presentation**

Net assets are recorded based on donor imposed restrictions or lack thereof.

*Unrestricted Net Assets* - These assets are free from donor restriction and can be used to carry out the operations of AFAR in accordance with its bylaws. Included in unrestricted net assets are the *Reserve Fund* and *Board Designated Net Assets*. The Reserve Fund was created by the Board in 2009 to hold liquid contingency funds. These funds will be available to assist AFAR to maintain supporting services in times of need. Board Designated Net Assets represent appreciation on endowment funds prior to 2010 not spent currently which have been identified by the Board of Trustees for long-term investment.

*Temporarily Restricted Net Assets* - These assets are either restricted for a specific purpose or for a future time period. Beginning in 2010, the earnings on permanently restricted endowments not yet appropriated for spending by the Board is also included here.

*Permanently Restricted Net Assets* - These assets were restricted by the donor to be invested in perpetuity. Income earned on these assets is to be used in accordance with the gift instrument.

**Cash and Cash Equivalents**

AFAR considers all highly liquid financial instruments with a maturity date of three months or less when purchased, to be cash and cash equivalents, (other than cash equivalents included in AFAR's endowment investment portfolio).

**Fixed Assets**

Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation is generally computed over an estimated useful life of five years by the straight-line method. Leasehold improvements are amortized over the remaining lease term or the life of the improvement, whichever is shorter.



**AMERICAN FEDERATION OF AGING RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

Note 2- Summary of Significant Accounting Policies (Continued)

Contributions

Contributions are recorded as revenue when received or promised (pledged) unconditionally, at their present value. Gifts received with donor stipulations that limit the use of the donated assets are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of changes in net assets as net assets released from restrictions. Earnings on permanently restricted net assets are classified as temporarily restricted until appropriated in accordance with the board adopted spending policy. Temporarily restricted contributions received and expended in the same period are reflected as unrestricted contributions in the accompanying financial statements. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Management believes all contributions receivable will be collected.

Research Grants and Scholarships

Research grants and scholarships are recorded as expense in the year in which they are awarded, including multi-year awards, which are recorded at their present value.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services on the basis of salaries and the level of effort as determined by AFAR's management.

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 at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

**AMERICAN FEDERATION OF AGING RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 3 - Contributions Receivable**

Contributions receivable, before discount to present value, consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Unrestricted	\$ 48,911	\$ 119,150
Temporarily restricted:		
John A. Hartford Foundation	9,736,359	13,942,877
Atlantic Philanthropies	617,500	617,500
Ellison Medical Foundation	3,327,500	5,186,300
Glenn Foundation for Medical Research	5,380,000	
Rosalinde and Arthur Gilbert Foundation		243,594
Other	100,000	143,210
	<u>19,161,359</u>	<u>20,133,481</u>
	<u>19,210,270</u>	<u>20,252,631</u>

Contributions receivable, net of discount to present value (at a discount rate of 3.25% in 2013 and 2012) as of December 31 were due to be collected as follows:

	<u>2013</u>	<u>2012</u>
Less than one year	\$ 8,112,887	\$ 8,047,442
One to five years	<u>11,097,383</u>	<u>12,205,189</u>
	19,210,270	20,252,631
Less discount to present value	<u>540,318</u>	<u>642,674</u>
	<u>18,669,952</u>	<u>19,609,957</u>

**Note 4 - Investments and Endowment**

All investments of AFAR are marketable securities which are reported at fair value. The summary of investments is as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash, money funds and certificates of deposit	\$ 8,186	\$ 8,186	\$ 91,644	\$ 91,644
Corporate bonds	752,448	746,101		
Mutual funds:				
Equity	4,494,361	6,410,555	4,462,640	5,192,960
Fixed income	<u>558,863</u>	<u>555,046</u>	<u>1,192,970</u>	<u>1,224,140</u>
	<u>5,813,858</u>	<u>7,719,888</u>	<u>5,747,254</u>	<u>6,508,744</u>

**AMERICAN FEDERATION OF AGING RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

Note 4 - Investments and Endowment (Continued)

The organization invests its endowment with the goal of investment growth outpacing inflation. The organization uses a long-term approach with a moderate level of risk. The target investment allocation is 75% equities and 25% fixed income securities. The endowment account is reported as follows:

Permanently restricted net assets	\$3,880,246
Temporarily restricted net assets	789,551
Board designated net assets	2,019,405
Unrestricted reserve	778,761
Unrestricted net assets (pending transfers)	<u>251,925</u>
	<u>7,719,888</u>

Changes within the Endowment during the year ended December 31, 2013 and 2012 were as follows:

	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Board Designated</u>	<u>Unrestricted Reserve</u>	<u>Unrestricted (Pending Transfer)</u>
Balance, December 31, 2011	\$3,880,246	\$ 11,659	\$1,289,827	\$558,555	\$214,469
Net investment earnings		448,550	243,982	75,925	
Appropriated for expenditure		(162,647)	(56,473)		219,120
Transfer					<u>(214,469)</u>
Balance, December 31, 2012	3,880,246	297,562	1,477,336	634,480	219,120
Net investment earnings		672,552	613,431	144,281	
Appropriated for expenditure		(180,563)	(71,362)		251,925
Transfer					<u>(219,120)</u>
Balance, December 31, 2013	<u>3,880,246</u>	<u>789,551</u>	<u>2,019,405</u>	<u>778,761</u>	<u>251,925</u>

**AMERICAN FEDERATION OF AGING RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 5 - Fair Value of Investments**

AFAR follows Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based on 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.

	2013		
	Level 1	Level 2	Total
Cash, money funds and certificates of deposit	\$ 8,186		\$ 8,186
Corporate bonds		\$746,101	746,101
Mutual funds:			
Equity	6,410,555		6,410,555
Fixed income	555,046		555,046
	<u>6,973,787</u>	<u>746,101</u>	<u>7,719,888</u>

All of AFAR's investments, including mutual funds, were actively traded securities and were valued using level one inputs in 2012.

**Note 6 - Research Grants and Scholarships Payable**

Research grants and scholarships payable, net of discount to present value (at a discount rate of 3.25% in 2013 and 2012), were due to be paid as follows as of December 31:

	2013	2012
Less than one year	\$2,829,821	\$3,718,306
One to five years	966,666	1,874,995
	<u>3,796,487</u>	<u>5,593,301</u>
Less discount to present value	46,637	91,785
	<u>3,749,850</u>	<u>5,501,516</u>

At December 31, 2013, none of the above grants payable are denominated in the Euro. As of December 31, 2012, approximately \$299,294 of grants payable were denominated in Euro, which were converted to U.S. dollars at the December 31, 2012 current exchange rate.

**AMERICAN FEDERATION OF AGING RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 7 - Temporarily Restricted Net Assets**

In 2013 and in prior years, AFAR has received multi-year grants that are restricted for various purposes, primarily research grants and scholarships. The full amount (net of discount to present value) of a multi-year grant is recognized as a temporarily restricted contribution upon receipt of notification of the grant from the donor. Funds are advanced throughout the period of the related grants and are expended in accordance with approved budgets.

Funds received but not yet expended, as well as amounts receivable in future years relating to multi-year grants, are reflected as temporarily restricted net assets in the accompanying financial statements. At December 31, 2013 and 2012, temporarily restricted net assets are restricted for the following purposes:

	<u>2013</u>	<u>2012</u>
Paul B. Beeson Career Development Awards in Aging and Research Program	\$ 5,236,624	\$ 5,690,359
National program office grants	6,104,355	8,225,199
Other grants and scholarships and related program costs	11,418,113	7,033,650
Lecture series	65,756	28,612
Earnings and appreciation on endowment	723,795	282,805
Robert and Bette Nielsen Fund (Note 14)	<u>1,078,529</u>	<u>879,388</u>
	<u>24,627,172</u>	<u>22,140,013</u>

At December 31, 2013, AFAR was holding approximately \$7,901,245 of cash that was part of the temporarily restricted net assets. This cash is shown as part of cash and cash equivalents.

During 2013 and 2012, temporarily restricted net assets were released from restrictions in fulfillment of the following purposes:

	<u>2013</u>	<u>2012</u>
Paul B. Beeson Career Development Awards in Aging and Research Program	\$ 500,565	\$1,366,491
National program office grants	2,551,936	2,638,575
Other grants and scholarships and related program costs	4,117,834	4,094,600
Lecture series	11,110	1,003
Supporting services	<u>688,751</u>	<u>632,984</u>
	<u>7,870,196</u>	<u>8,733,653</u>

The above amounts released from restriction primarily represent revenue recognized in prior years and expended in 2013 and 2012, respectively.

**Note 8 - Concentration of Risk**

Due to the size of AFAR's programs, the organization's checking accounts normally exceed the Federally insured limit. As AFAR uses a nationally established bank, management feels this risk is not significant.

**AMERICAN FEDERATION OF AGING RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 9 - Permanently Restricted Net Assets**

Permanently restricted net assets are restricted by the donor to be invested in perpetuity. Funds that comprise permanently restricted net assets at December 31, 2013 and 2012, as well as the purpose for which the income is expendable, were as follows:

		<u>2013</u>	<u>2012</u>
George E. Doty Fund	Fund costs of supporting services	\$1,000,000	\$1,000,000
Irving S. Wright, MD Fund	Fund research grants	375,000	375,000
Hearst Corporation	Fund research grants	150,000	150,000
Dorothy Eweson Fund	Fund lecture series	176,996	176,996
Starr Foundation Fund	Fund costs of supporting services	1,000,000	1,000,000
Glenn Foundation	Fund costs of supporting services	318,250	318,250
The Bedminster Fund	Fund costs of supporting services	10,000	10,000
Dorothy Eweson Fund	Fund costs of supporting services	750,000	750,000
AFAR - North Carolina Fund	Student Fund	<u>100,000</u>	<u>100,000</u>
		<u>3,880,246</u>	<u>3,880,246</u>

Under New York Prudent Management of Institutional Funds Act, the Board adopted a spending policy of appropriating 4 - 7% of the average fair market value of the proceeding 12 months. In 2013 and 2012, the Board approved approximately 4% of both the permanently restricted balance and the board designated balance for appropriation.

**Note 10 - Pension Plan**

A defined contribution pension plan was implemented by AFAR in 1993 covering all employees who fulfill the minimum age and service requirements. The Organization contributes 10% of eligible employees' compensation subject to Internal Revenue Service limitations. Any amounts that are limited are paid as additional salary. Pension expense for 2013 and 2012 amounted to \$72,326 and \$64,243, respectively.

**Note 11 - Commitments**

Effective October 1, 2006, AFAR entered into a new lease expiring January 31, 2017 for office space at 55 West 39<sup>th</sup> Street, New York City. Rent expense under this lease amounted to \$201,191 for 2013 and \$189,237 for 2012.

The minimum lease commitment under this lease at December 31, 2013 is as follows:

2014	\$207,704
2015	212,897
2016	218,219
2017	<u>18,185</u>
	<u>657,005</u>

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**Note 12 - Furniture, Equipment and Leasehold Improvements**

Furniture, equipment and leasehold improvements consists of the following:

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$199,072	\$172,451
Leasehold improvements	<u>7,263</u>	<u>7,263</u>
	206,335	179,714
Less accumulated depreciation	<u>137,247</u>	<u>113,171</u>
	<u>69,088</u>	<u>66,543</u>

**Note 13 - Investment Income - Net**

Investment Income is comprised of the following items:

	<u>2013</u>	<u>2012</u>
Unrestricted - Operating:		
Earnings on cash and temporary investments	\$ 5,195	\$ 13,948
Appreciation on investments	22	2,125
Investment fees	<u>(1,396)</u>	<u>(731)</u>
	<u>3,821</u>	<u>15,342</u>
Earnings on Investment and Endowment Portfolio:		
Interest and dividends	326,726	120,937
Realized capital (losses) gains	(15,628)	47,703
Appreciation on investments	1,144,540	620,500
Investment fees	<u>(25,374)</u>	<u>(20,953)</u>
	<u>1,430,264</u>	<u>768,187</u>
Total	<u>1,434,085</u>	<u>783,529</u>

**Note 14 - Beneficial Interest in Charitable Remainder Trust**

During 2006, AFAR was notified by the trustees of a charitable remainder trust that AFAR is the beneficiary. Under the terms of the trust, which was valued at approximately \$1.3 million as of December 31, 2006, the trust will pay 5% of the trust's value at January 1 each year to the grantor's wife for the remainder of her life. Upon her death, AFAR will receive the remaining principal to create the Robert and Bette Nielson Fund which can be used to support the general uses and purposes of AFAR.

Using an estimated investment return of 5% percent per year and the expected life of the beneficiary, AFAR has valued this future benefit at \$1,078,529 based on a trust value of \$1,376,443 as of December 31, 2013 and using a discount rate of 3.25%. This represents an increase of \$199,141 from the future benefit calculated last year. Significant estimates are involved in this calculation and it is reasonably possible that these numbers could change in the near term.

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**Note 15 - Accounting for Uncertainty in Income Taxes**

Management has determined that AFAR had no uncertain tax positions that would require financial statement recognition. AFAR is no longer subject to audits by the applicable taxing jurisdictions for the periods prior to 2010.

**Note 16 - Subsequent Events**

In connection with the preparation of the financial statements and in accordance with recently issued guidance, AFAR evaluated subsequent events after the statement of financial position date of December 31, 2013 through June 17, 2014 which was the date the financial statements were available to be issued.

**Note 17 - Beeson Grants**

The National Institute of Aging has increased its commitment to the program and is paying the grants directly. The program was still able to fund up to seven scholars in 2013.

**Note 18 - AFAR Annual Dinner**

The Organization's 2012 annual dinner scheduled on October 29, 2012 was cancelled due to Hurricane Sandy and was rescheduled and held on April 15, 2013. The dinner contributions received in 2012 were recorded as deferred revenue until the event was held in 2013. The annual dinner generated \$84,680 of net revenue. In addition to the annual dinner, AFAR held a smaller regional dinner in 2013 which raised \$61,217 of net revenue.

**Note 19 - Notification of Grant Award from the Irene Diamond Fund**

On December 14, 2012, AFAR was notified that the Irene Diamond Fund (IDF) approved a grant to create the Irene Diamond Fund/AFAR Postdoctoral Fellowship Program in Aging Research. The grant will be made in the form of a transfer to AFAR of 34 percent of IDF's interests in a piece of real property, which will be held in an LLC until sold. As of December 31, 2013, the LLC had not been formed and the interest was not yet transferred to AFAR.