

AMERICAN FEDERATION FOR
AGING RESEARCH

DECEMBER 31, 2014

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DONALD F. SCHERER

Independent Auditor's Report

**Board of Directors of
American Federation for Aging Research, Inc.
55 West 39th Street, 16th 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, 2014, 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, 2014 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, 2013 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated June 17, 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.

Owen J. Flanagan & Co.

New York, New York
June 17, 2015

AMERICAN FEDERATION FOR AGING RESEARCH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents (Note 7 and 17)	\$ 6,030,510	\$ 8,786,809
Contributions receivable (Note 3)	6,613,408	8,112,887
Investments (Note 4, 5, 17)	9,187,155	7,719,888
Prepaid expenses, deposits and other assets (Note 18)	<u>99,577</u>	<u>85,375</u>
<u>Total Current Assets</u>	21,930,650	24,704,959
Contributions receivable - long term (Note 3)	6,019,868	10,557,065
Furniture, equipment and leasehold improvements - net (Note 12)	50,619	69,088
Beneficial interest in charitable remainder trust (Note 14)	<u>1,150,057</u>	<u>1,078,529</u>
<u>Total Assets</u>	<u>29,151,194</u>	<u>36,409,641</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Research grants and scholarships payable (Note 6)	\$ 1,740,683	\$ 2,829,821
Accounts payable and accrued expenses	<u>48,870</u>	<u>47,352</u>
<u>Total Current Liabilities</u>	1,789,553	2,877,173
Research grants and scholarships payable - long-term (Note 6)	<u>1,075,944</u>	<u>920,029</u>
<u>Total Liabilities</u>	<u>2,865,497</u>	<u>3,797,202</u>
Net Assets		
Unrestricted	4,549,654	4,105,021
Temporarily restricted (Note 7)	17,855,797	24,627,172
Permanently restricted (Note 9)	<u>3,880,246</u>	<u>3,880,246</u>
<u>Total Net Assets</u>	<u>26,285,697</u>	<u>32,612,439</u>
<u>Total Liabilities and Net Assets</u>	<u>29,151,194</u>	<u>36,409,641</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, 2014

(WITH COMPARATIVE TOTALS FOR 2013)

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
	Operating	Reserve				
Support, Revenue and Reclassifications						
Contributions	\$ 695,356		\$ 2,730,164		\$ 3,425,520	\$ 10,235,225
Changes in beneficial interest in charitable remainder trust			71,528		71,528	199,141
Investment income, net (Note 13)	3,408	\$ 62,052	296,878		490,720	1,434,085
Investment drawdown	276,073		(276,073)			
AFAR Dinner and Conference, net (Note 18)	103,185				103,185	145,897
Conference registration	19,483				19,483	23,018
Net Assets released from restrictions	9,593,872		(9,593,872)			
Total	10,691,377	62,052	128,382	10,881,811	4,110,436	12,037,366
Expenses (Exhibit D)						
Research Grants and Scholarships	8,971,001				8,971,001	7,262,820
Meetings and Public Education	555,763				555,763	540,785
Management and general	449,023				449,023	429,840
Fund-raising	461,391				461,391	345,515
Total	10,437,178			10,437,178	10,437,178	8,578,960
Change in Net Assets for Year	254,199	62,052	128,382	444,633	(6,326,742)	3,458,406
Net Assets, beginning of year	561,931	1,523,685	2,019,405	4,105,021	24,627,172	29,154,033
Net Assets, End of Year	816,130	1,585,737	2,147,787	4,549,654	26,285,697	32,612,439

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, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	<u>2014</u>	<u>2013</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets for the year	\$(6,326,742)	\$3,458,406
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	27,669	24,076
Realized and change in unrealized appreciation, net	31,062	(1,128,934)
Change in beneficial interest in Charitable Remainder Trust	(71,528)	(199,141)
Change in operating assets and liabilities:		
Contributions receivable	6,036,676	940,005
Prepaid expenses, deposits and other assets	(14,202)	45,551
Accounts payable and accrued expenses	1,518	(143,913)
Research grants and scholarships payable	<u>(933,223)</u>	<u>(1,751,666)</u>
<u>Net Cash (Used in) Provided by Operating Activities</u>	<u>(1,248,770)</u>	<u>1,244,384</u>
<u>Cash Flows from Investing Activities</u>		
Net (purchases) sales of short-term cash investments	(174,662)	83,459
Purchases of investments	(1,503,838)	(1,360,073)
Proceeds from sales of investments	180,171	1,194,404
Purchase of furniture and equipment	<u>(9,200)</u>	<u>(26,621)</u>
<u>Net Cash Used in Investing Activities</u>	<u>(1,507,529)</u>	<u>(108,831)</u>
Net (decrease) increase in cash and cash equivalents	(2,756,299)	1,135,553
Cash and cash equivalents, beginning of year	<u>8,786,809</u>	<u>7,651,256</u>
Cash and cash equivalents, end of year	<u>6,030,510</u>	<u>8,786,809</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, 2014

(WITH COMPARATIVE TOTALS FOR 2013)

	<u>Research Grants and Scholarships</u>	<u>Meetings and Public Education</u>	<u>Management and General</u>	<u>Fund-Raising</u>	<u>Total Supporting Services</u>	<u>Total 2014</u>	<u>Total 2013</u>
AFAR grants	\$4,464,230	\$4,464,230				\$ 4,464,230	\$3,350,887
Beeson grants (Note 18)	350,000	350,000				350,000	350,000
Medical Student grants	265,806	265,806				265,806	265,379
National Program Offices grants	2,647,769	2,647,769				2,647,769	2,403,460
Other grants and scholarships	<u>7,500</u>	<u>\$ 12,153</u>				<u>19,653</u>	<u>18,610</u>
Grants rescinded	7,735,305	7,747,458				7,747,458	6,388,336
Grant refunds and discounts	<u>(152,420)</u>	<u>(152,420)</u>				<u>(152,420)</u>	<u>(318,926)</u>
	<u>7,582,885</u>	<u>12,153</u>	<u>\$231,331</u>	<u>\$296,763</u>	<u>\$528,094</u>	<u>7,595,038</u>	<u>5,937,166</u>
Total Grants and Scholarships (Net)			<u>58,254</u>	<u>74,725</u>	<u>132,979</u>	<u>1,170,975</u>	<u>1,082,797</u>
Salaries	560,285	82,596				294,856	276,081
Payroll taxes and employee benefits	<u>141,080</u>	<u>20,797</u>					
	701,365	103,393	<u>289,585</u>	<u>371,488</u>	<u>661,073</u>	<u>1,465,831</u>	<u>1,358,878</u>
Total Salaries and Related Expenses							
Conferences and symposia	378,677	141,535	15,736	13,629	29,365	549,577	589,006
Website development and content	750	4,040		420	420	5,210	9,590
Publications	15,422	12,488		1,856	1,856	29,766	49,448
Rent	106,354	29,417	47,520	42,993	90,513	226,284	201,191
Scientific advisors and writers	53,960	8,805	44,122	15,876	59,998	53,960	47,305
Office and technology	31,832		27,500		27,500	100,635	71,077
Professional fees	13,004	3,598	5,810	5,257	11,067	27,500	26,000
Depreciation and amortization			11,158		11,158	27,669	24,077
Insurance			4,523	3,405	7,928	11,158	13,219
Telephone	4,139	1,469	3,069		3,069	13,536	14,061
Dues and filing fees	9,613	236,003				12,682	17,083
Public relations and communications	73,000	<u>2,862</u>		<u>6,467</u>	<u>6,467</u>	309,003	213,899
Other						<u>9,329</u>	<u>6,960</u>
	<u>686,751</u>	<u>440,217</u>	<u>159,438</u>	<u>89,903</u>	<u>249,341</u>	<u>1,376,309</u>	<u>1,282,916</u>
Total Other Expenses							
	<u>8,971,001</u>	<u>555,763</u>	<u>449,023</u>	<u>461,391</u>	<u>910,414</u>	<u>10,437,178</u>	<u>8,578,960</u>
Total Expenses							

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, 2014

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 represents unspent appreciation on endowment funds earned prior to 2010, which have been identified by the Board of Trustees for long-term investment.

Temporarily Restricted Net Assets - These assets are donor restricted for either a specific purpose or a future time period. They also include earnings on permanently restricted endowments not yet appropriated for spending by the Board from 2010 onward.

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 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, 2014

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. 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.

Investment Valuation

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.

Comparative Financial Statements

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with AFAR's financial statements from December 31, 2013, from which the information was derived.

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, 2014

Note 3 - Contributions Receivable

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

	<u>2014</u>	<u>2013</u>
Unrestricted	\$ 48,846	\$ 48,911
Temporarily restricted:		
John A. Hartford Foundation	5,883,572	9,736,359
Atlantic Philanthropies	195,000	617,500
Ellison Medical Foundation	2,420,000	3,327,500
Glenn Foundation for Medical Research	4,401,989	5,380,000
Other	<u>100,000</u>	<u>100,000</u>
	<u>12,900,561</u>	<u>19,161,359</u>
	<u>12,949,407</u>	<u>19,210,270</u>

Contributions receivable, net of discount to present value (at a discount rate of 3.25% in 2014 and 2013), as of December 31 were due to be collected as follows:

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 6,613,408	\$ 8,112,887
One to five years	<u>6,335,999</u>	<u>11,097,383</u>
	12,949,407	19,210,270
Less discount to present value	<u>316,131</u>	<u>540,318</u>
	<u>12,633,276</u>	<u>18,669,952</u>

Note 4 - Endowment

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	810,356
Board designated net assets	2,147,787
Unrestricted reserve	840,813
Unrestricted net assets (pending transfers)	<u>527,998</u>
	<u>8,207,200</u>

AMERICAN FEDERATION OF AGING RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 4 - Endowment (Continued)

Changes within the Endowment during the year ended December 31, 2014 and 2013 were as follows:

	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Board Designated</u>	<u>Unrestricted Reserve</u>	<u>Unrestricted (Pending Transfer)</u>	<u>Total</u>
Balance, December 31, 2012	\$3,880,246	\$297,562	\$1,477,336	\$634,480	\$219,120	\$6,508,744
Net investment earnings		672,552	613,431	144,281		1,430,264
Appropriated for expenditure		(180,563)	(71,362)		251,925	
Transfer	_____	_____	_____	_____	(219,120)	(219,120)
Balance, December 31, 2013	3,880,246	789,551	2,019,405	778,761	251,925	7,719,888
Net investment earnings		296,878	128,382	62,052		487,312
Appropriated for expenditure	_____	(276,073)	_____	_____	276,073	_____
Balance, December 31, 2014	<u>3,880,246</u>	<u>810,356</u>	<u>2,147,787</u>	<u>840,813</u>	<u>527,998</u>	<u>8,207,200</u>

Note 5 - Investments

The summary of investments is as follows:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit held separately	\$ 979,934	\$ 979,955	\$ -	\$ -
Cash, and money funds held in endowment	182,849	182,849	8,186	8,186
Corporate bonds	572,448	551,471	752,448	746,101
Mutual funds:				
Equity	5,016,881	6,916,454	4,494,361	6,410,555
Fixed income	<u>560,247</u>	<u>556,426</u>	<u>558,863</u>	<u>555,046</u>
	<u>7,312,359</u>	<u>9,187,155</u>	<u>5,813,858</u>	<u>7,719,888</u>

AMERICAN FEDERATION OF AGING RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 5 - Investments (Continued)

The Organization's investments are categorized as follows:

	<u>2014</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash, money funds and certificates of deposit	\$ 182,849	\$ 979,955	\$1,162,804
Corporate bonds			
Mutual funds:		551,471	551,471
Equity	6,916,454		6,916,454
Fixed income	<u>556,426</u>		<u>556,426</u>
	<u>7,655,729</u>	<u>1,531,426</u>	<u>9,187,155</u>
	<u>2013</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
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	<u>555,046</u>		<u>555,046</u>
	<u>6,973,787</u>	<u>746,101</u>	<u>7,719,888</u>

Level 2 investments consist of certificates of deposit and corporate bonds, both of which are liquid investments, recorded at stated market value.

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 2014 and 2013), were due to be paid as follows as of December 31:

	<u>2014</u>	<u>2013</u>
Less than one year	\$1,740,683	\$2,829,821
One to five years	<u>1,133,750</u>	<u>966,666</u>
	2,874,433	3,796,487
Less discount to present value	<u>57,806</u>	<u>46,637</u>
	<u>2,816,627</u>	<u>3,749,850</u>

AMERICAN FEDERATION OF AGING RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

Note 7 - Temporarily Restricted Net Assets

In 2014 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, 2014 and 2013, temporarily restricted net assets are restricted for the following purposes:

	<u>2014</u>	<u>2013</u>
Paul B. Beeson Career Development Awards in Aging and Research Program	\$ 4,275,102	\$ 5,236,624
National program office grants	3,424,328	6,104,355
Other grants and scholarships and related program costs	8,195,954	11,418,113
Lecture series	57,898	65,756
Earnings and appreciation on endowment	752,458	723,795
Robert and Bette Nielsen Fund (Note 14)	1,150,057	1,078,529
	<u>17,855,797</u>	<u>24,627,172</u>

At December 31, 2014, AFAR was holding approximately \$5,093,000 of cash that was part of the temporarily restricted net assets. This cash is shown as part of cash and cash equivalents.

During 2014 and 2013, temporarily restricted net assets were released from restrictions in fulfillment of the following purposes:

	<u>2014</u>	<u>2013</u>
Paul B. Beeson Career Development Awards in Aging and Research Program	\$ 863,699	\$ 500,565
National program office grants	2,812,788	2,551,936
Other grants and scholarships and related program costs	5,396,547	4,117,834
Lecture series	12,153	11,110
Supporting services	508,685	688,751
	<u>9,593,872</u>	<u>7,870,196</u>

The above amounts released from restriction primarily represent revenue recognized in prior years and expended in 2014 and 2013, 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, 2014

Note 9 - Permanently Restricted Net Assets

Permanently restricted net assets are restricted by the donor to be invested in perpetuity. In accordance with New York State Law, the Board of AFAR has enacted a policy of preserving the fair value of the original gift as of the date the restricted gift is received, absent explicit donor stipulations to the contrary. Funds that comprise permanently restricted net assets at December 31, 2014 and 2013, as well as the purpose for which the income is expendable, were as follows:

		<u>2014</u>	<u>2013</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 conferences	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 preceding 12 months. In 2014 and 2013, 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. AFAR 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 2014 and 2013 amounted to \$68,261 and \$72,326, respectively.

Note 11 - Commitments

Effective October 1, 2006, AFAR entered into a new lease expiring January 31, 2017 for office space at 55 West 39th Street, New York City. Rent expense under this lease amounted to \$226,284 for 2014 and \$201,191 for 2013.

The minimum lease commitment under this lease at December 31, 2014 is as follows:

2015	\$212,897
2016	218,219
2017	<u>18,185</u>
	<u>449,301</u>

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Note 12 - Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements consists of the following:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$208,272	\$199,072
Leasehold improvements	7,263	7,263
	215,535	206,335
Less accumulated depreciation	164,916	137,247
	<u>50,619</u>	<u>69,088</u>

Note 13 - Investment Income - Net

Investment Income is comprised of the following items:

	<u>2014</u>	<u>2013</u>
Unrestricted - Operating:		
Earnings on cash and temporary investments	\$ 4,254	\$ 5,195
Appreciation (depreciation) on investments	(22)	22
Investment fees	(824)	(1,396)
	3,408	3,821
Earnings on Investment and Endowment Portfolio:		
Interest and dividends	547,270	326,726
Realized gains (losses)	215	(15,628)
Appreciation (depreciation) on investments	(31,255)	1,144,540
Investment fees	(28,918)	(25,374)
	487,312	1,430,264
Total	<u>490,720</u>	<u>1,434,085</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 \$1,150,507 based on a trust value of \$1,467,734 as of December 31, 2014 and using a discount rate of 3.25%. This represents an increase of \$71,528 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 2011.

Note 16 - Subsequent Events

In connection with the preparation of the financial statements AFAR evaluated subsequent events after the statement of financial position date of December 31, 2014 through June 17, 2015, which was the date the financial statements were available to be issued. AFAR did not have any material recognizable subsequent events during this period.

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 eight scholars as in previous years.

Note 18 - AFAR Annual Dinner

In 2014, AFAR held a small regional dinner in New York. This dinner generated \$103,185 of revenue, which is net of \$28,585 of direct expenses. In 2013 the annual dinner generated \$84,680 of net revenue. In addition to the annual dinners, 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 (directly or indirectly) to AFAR of 34 percent of IDF's interests in a piece of real property. As of December 31, 2014, the interest was not yet transferred to AFAR.