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MEMBERS
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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, 2015, 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, 2015 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, 2014 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated June 17, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Paul J. Flanagan & Co.

New York, New York
June 13, 2016

AMERICAN FEDERATION FOR AGING RESEARCH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents (Note 7)	\$ 3,952,017	\$ 6,030,510
Contributions receivable (Note 3)	4,148,410	6,613,408
Investments (Note 4, 5)	9,448,494	9,187,155
Prepaid expenses, deposits and other assets	<u>121,712</u>	<u>99,577</u>
<u>Total Current Assets</u>	17,670,633	21,930,650
Contributions receivable - long term (Note 3)	3,147,806	6,019,868
Furniture, equipment and leasehold improvements - net (Note 12)	24,076	50,619
Beneficial interest in charitable remainder trust (Note 14)	<u>1,127,695</u>	<u>1,150,057</u>
<u>Total Assets</u>	<u>21,970,210</u>	<u>29,151,194</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Research grants and scholarships payable (Note 6)	\$ 2,010,971	\$ 1,740,683
Accounts payable and accrued expenses	<u>49,470</u>	<u>48,870</u>
<u>Total Current Liabilities</u>	2,060,441	1,789,553
Research grants and scholarships payable - long-term (Note 6)	<u>1,340,037</u>	<u>1,075,944</u>
<u>Total Liabilities</u>	<u>3,400,478</u>	<u>2,865,497</u>
Net Assets		
Unrestricted	4,564,377	4,549,654
Temporarily restricted (Note 7)	9,900,144	17,855,797
Permanently restricted (Note 9)	<u>4,105,211</u>	<u>3,880,246</u>
<u>Total Net Assets</u>	<u>18,569,732</u>	<u>26,285,697</u>
<u>Total Liabilities and Net Assets</u>	<u>21,970,210</u>	<u>29,151,194</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, 2015

(WITH COMPARATIVE TOTALS FOR 2014)

	Unrestricted		Board Designated	Total	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014
	Operating	Reserve						
<u>Support, Revenue and Reclassifications</u>								
Contributions	\$ 697,824		\$ 13,848	\$ 697,824	\$ 1,649,606	\$ 224,965	\$ 2,572,395	\$ 3,425,520
Changes in beneficial interest in charitable remainder trust					(22,362)		(22,362)	71,528
Investment income, net (Note 13)	5,808	\$ (1,899)	\$ 13,848	17,757	25,283		43,040	490,720
Investment drawdown	274,868			274,868	(274,868)			
AFAR Dinner and Conference, net (Note 17)								103,185
Conference registration	24,644			24,644			24,644	19,483
Net Assets released from restrictions	9,333,312			9,333,312	(9,333,312)			
<u>Total</u>	10,336,456	(1,899)	13,848	10,348,405	(7,955,653)	224,965	2,617,717	4,110,436
<u>Expenses (Exhibit D)</u>								
Research Grants and Scholarships	9,102,902			9,102,902			9,102,902	8,971,001
Meetings and Public Education	429,680			429,680			429,680	555,763
Management and general	449,873			449,873			449,873	449,023
Fund-raising	351,227			351,227			351,227	461,391
<u>Total</u>	10,333,682			10,333,682			10,333,682	10,437,178
Change in Net Assets for Year	2,774	(1,899)	13,848	14,723	(7,955,653)	224,965	(7,715,965)	(6,326,742)
Net Assets, beginning of year	816,130	1,585,737	2,147,787	4,549,654	17,855,797	3,880,246	26,285,697	32,612,439
Transfers	(500,000)	500,000						
Net Assets, End of Year	318,904	2,083,838	2,161,635	4,564,377	9,900,144	4,105,211	18,569,732	26,285,697

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, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	<u>2015</u>	<u>2014</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets for the year	\$(7,715,965)	\$(6,326,742)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	26,543	27,669
Realized and change in unrealized appreciation, net	30,690	31,062
Change in beneficial interest in Charitable Remainder Trust	22,362	(71,528)
Change in operating assets and liabilities:		
Contributions receivable	5,337,060	6,036,676
Prepaid expenses, deposits and other assets	(22,135)	(14,202)
Accounts payable and accrued expenses	600	1,518
Research grants and scholarships payable	<u>534,381</u>	<u>(933,223)</u>
<u>Net Cash Used in by Operating Activities</u>	<u>(1,786,464)</u>	<u>(1,248,770)</u>
<u>Cash Flows from Investing Activities</u>		
Net (purchases) of short-term cash investments	(255,397)	(174,662)
Purchases of investments	(2,638,474)	(1,503,838)
Proceeds from sales of investments	2,601,842	180,171
Purchase of furniture and equipment	<u>-</u>	<u>(9,200)</u>
<u>Net Cash Used in Investing Activities</u>	<u>(292,029)</u>	<u>(1,507,529)</u>
Net decrease in cash and cash equivalents	(2,078,493)	(2,756,299)
Cash and cash equivalents, beginning of year	<u>6,030,510</u>	<u>8,786,809</u>
Cash and cash equivalents, end of year	<u><u>3,592,017</u></u>	<u><u>6,030,510</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, 2015

(WITH COMPARATIVE TOTALS FOR 2014)

	Research Grants and Scholarships	Meetings and Public Education	Total Program	Management and General	Fund- Raising	Total Supporting Services	Total 2015	Total 2014
AFAR grants	\$3,788,090		\$3,788,090				3,788,090	\$ 4,464,230
Beeson grants (Note 16)	949,032		949,032				949,032	350,000
Medical Student grants	230,137		230,137				230,137	265,806
National Program Offices grants	2,807,000		2,807,000				2,807,000	2,647,769
Other grants and scholarships	20,786	\$ 16,000	36,786				36,786	19,653
Grant refunds and discounts	7,795,045	16,000	7,811,045				7,811,045	7,747,458
	(119,391)		(119,391)				(119,391)	(152,420)
<u>Total Grants and Scholarships (Net)</u>	<u>7,675,654</u>	<u>16,000</u>	<u>7,691,654</u>				<u>7,691,654</u>	<u>7,595,038</u>
Salaries	599,126	109,486	708,612	\$238,129	\$193,146	\$431,275	1,139,887	1,170,975
Payroll taxes and employee benefits	175,517	32,079	207,596	69,772	56,592	126,364	333,960	294,856
<u>Total Salaries and Related Expenses</u>	<u>774,643</u>	<u>141,565</u>	<u>916,208</u>	<u>307,901</u>	<u>249,738</u>	<u>557,639</u>	<u>1,473,847</u>	<u>1,465,831</u>
Conferences and symposia	294,170	182,580	476,750	21,852	23,748	45,600	522,350	549,577
Website development and content	60	7,153	7,213				7,213	5,210
Publications	20,194	14,570	34,764		3,447	3,447	38,211	29,766
Rent	113,179	31,305	144,484	50,569	45,753	96,322	240,806	226,284
Scientific advisors and writers (Note 19)	133,000	1,000	134,000				134,000	53,960
Office and technology	27,054	5,595	32,649	19,390	17,439	36,829	69,478	100,635
Professional fees				27,250		27,250	27,250	27,500
Depreciation and amortization	12,475	3,451	15,926	5,574	5,043	10,617	26,543	27,669
Insurance				11,265		11,265	11,265	11,158
Telephone	4,644	1,363	6,007	3,112	4,174	7,286	13,293	13,536
Dues and filing fees	12,300		12,300	2,960		2,960	15,260	12,682
Public relations and communications	35,529	22,900	58,429		1,000	1,000	59,429	309,003
Other		2,198	2,198		885	885	3,083	9,329
<u>Total Other Expenses</u>	<u>652,605</u>	<u>272,115</u>	<u>924,720</u>	<u>141,972</u>	<u>101,489</u>	<u>243,461</u>	<u>1,168,181</u>	<u>1,376,309</u>
<u>Total Expenses</u>	<u>9,102,902</u>	<u>429,680</u>	<u>9,532,582</u>	<u>449,873</u>	<u>351,227</u>	<u>801,100</u>	<u>10,333,682</u>	<u>10,437,178</u>

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, 2015

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, 2015

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, 2014, 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, 2015

Note 3 - Contributions Receivable

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

	2015	2014
Unrestricted	\$ 51,183	\$ 48,846
Temporarily restricted:		
John A. Hartford Foundation	2,745,022	5,883,572
Atlantic Philanthropies	195,000	195,000
Ellison Medical Foundation	1,512,500	2,420,000
Glenn Foundation for Medical Research	2,690,000	4,401,989
Gilbert Foundation	263,352	
Other	45,156	
	7,451,030	12,900,561
	7,502,213	12,949,407

Contributions receivable, net of discount to present value (at a discount rate of 3.5% in 2015 and 3.25% in 2014), as of December 31 were due to be collected as follows:

	2015	2014
Less than one year	\$4,148,410	\$ 6,613,408
One to five years	3,353,803	6,335,999
	7,502,213	12,949,407
Less discount to present value	205,997	316,131
	7,296,216	12,633,276

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	\$4,105,211
Temporarily restricted net assets	560,771
Board designated net assets	2,161,635
Unrestricted reserve	1,338,914
Unrestricted net assets (pending transfers)	302,866
	8,469,397

AMERICAN FEDERATION OF AGING RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4 - Endowment (Continued)

Changes within the Endowment during the year ended December 31, 2015 and 2014 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, January 1, 2014	\$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	_____	<u>(276,073)</u>	_____	_____	<u>276,073</u>	_____
Balance, December 31, 2014	3,880,246	810,356	2,147,787	840,813	527,998	8,207,200
Contributions - Irving Kahn Fund	224,965					224,965
Net investment earnings		25,283	13,848	(1,899)		37,232
Appropriated for expenditure		(274,868)			274,868	
Transfer	_____	_____	_____	<u>500,000</u>	<u>(500,000)</u>	_____
Balance, December 31, 2015	<u>4,105,211</u>	<u>560,771</u>	<u>2,161,635</u>	<u>1,338,914</u>	<u>302,866</u>	<u>8,469,397</u>

Note 5 - Investments

The summary of investments is as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit held separately Cash, and money funds held in endowment	\$ 979,934	\$ 979,127	\$ 979,934	\$ 979,955
Corporate bonds	438,246	438,246	182,849	182,849
Common stocks	297,451	283,217	572,448	551,471
Mutual funds:	217,673	211,624	-	-
Equity	5,473,792	6,979,342	5,016,881	6,916,454
Fixed income	<u>564,134</u>	<u>556,938</u>	<u>560,247</u>	<u>556,426</u>
	<u>7,971,230</u>	<u>9,448,494</u>	<u>7,312,359</u>	<u>9,187,155</u>

AMERICAN FEDERATION OF AGING RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 5 - Investments (Continued)

The Organization's investments are categorized as follows:

	<u>2015</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash, money funds and certificates of deposit	\$ 438,246	\$ 979,127	\$1,417,373
Corporate bonds		283,217	283,217
Common stocks	211,624		211,624
Mutual funds:			
Equity	6,979,342		6,979,342
Fixed income	<u>556,938</u>		<u>556,938</u>
	<u>8,186,150</u>	<u>1,262,344</u>	<u>9,448,494</u>
	<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		551,471	551,471
Mutual funds:			
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>

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 3.5% in 2015 and 3.25% in 2014), were due to be paid as follows as of December 31:

	<u>2015</u>	<u>2014</u>
Less than one year	\$2,010,971	\$1,740,683
One to five years	<u>1,411,250</u>	<u>1,133,750</u>
	3,422,221	2,874,433
Less discount to present value	<u>71,214</u>	<u>57,806</u>
	<u>3,351,007</u>	<u>2,816,627</u>

AMERICAN FEDERATION OF AGING RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 7 - Temporarily Restricted Net Assets

In 2015 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, 2015 and 2014, temporarily restricted net assets are restricted for the following purposes:

	<u>2015</u>	<u>2014</u>
Paul B. Beeson Career Development Awards in Aging and Research Program	\$ 2,730,942	\$ 4,275,102
National program office grants	344,858	3,424,328
Other grants and scholarships and related program costs	5,145,353	8,195,954
Lecture series	52,203	57,898
Earnings and appreciation on endowment	499,093	752,458
Robert and Bette Nielsen Fund (Note 14)	<u>1,127,695</u>	<u>1,150,057</u>
	<u>9,900,144</u>	<u>17,855,797</u>

At December 31, 2015, AFAR was holding approximately \$4,236,533 of cash that was part of the temporarily restricted net assets. This cash is shown as part of cash and cash equivalents and investments (held as certificates of deposit).

During 2015 and 2014, temporarily restricted net assets were released from restrictions in fulfillment of the following purposes:

	<u>2015</u>	<u>2014</u>
Paul B. Beeson Career Development Awards in Aging and Research Program	\$1,470,744	\$ 863,699
National program office grants	3,043,264	2,812,788
Other grants and scholarships and related program costs	4,331,714	5,396,547
Lecture series	6,000	12,153
Supporting services	<u>481,590</u>	<u>508,685</u>
	<u>9,333,312</u>	<u>9,593,872</u>

The above amounts released from restriction primarily represent revenue recognized in prior years and expended in 2015 and 2014, 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, 2015

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, 2015 and 2014, as well as the purpose for which the income is expendable, were as follows:

		<u>2015</u>	<u>2014</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
Irving Kahn Fund	Fund research grants	224,965	
AFAR - North Carolina Fund	Student Fund	<u>100,000</u>	<u>100,000</u>
		<u>4,105,211</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 2015 and 2014, 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 2015 and 2014 amounted to \$76,898 and \$68,261, 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 \$240,807 for 2015 and \$226,284 for 2014.

The minimum lease commitment under this lease at December 31, 2015 is as follows:

2016	\$218,219
2017	<u>18,185</u>
	<u>236,404</u>

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Note 12 - Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements consists of the following:

	2015	2014
Furniture and equipment	\$208,272	\$208,272
Leasehold improvements	7,263	7,263
	215,535	215,535
Less accumulated depreciation	191,459	164,916
	24,076	50,619

Note 13 - Investment Income - Net

Investment Income is comprised of the following items:

	2015	2014
Unrestricted - Operating:		
Earnings on cash and temporary investments	\$ 8,071	\$ 4,254
Change in unrealized appreciation on investments	(627)	(22)
Investment fees	(1,636)	(824)
	5,808	3,408
Earnings on Investment and Endowment Portfolio:		
Interest and dividends	96,388	547,270
Realized gains	366,842	215
Change in unrealized appreciation on investments	(396,905)	(31,255)
Investment fees	(29,093)	(28,918)
	37,232	487,312
Total	43,040	490,720

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 \$1,127,695 based on a trust value of \$1,359,615 as of December 31, 2015 and using a discount rate of 3.5%. This represents an increase of \$22,362 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 - 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, 2015 through June 13, 2016, 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 16 - 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 17 - AFAR Annual Dinner

In 2015, AFAR did not hold an annual dinner, but held several smaller events for which tickets were not sold. 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 2016, AFAR will hold a 35th Anniversary event.

Note 18 - 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, 2015, the interest was not yet transferred to AFAR.

Note 19 - Scientific Advisors and Writers

In 2015, the John A. Hartford Foundation requested that a final evaluation be done on the Centers of Excellence program. The consulting services cost \$102,000. This expense was fully funded by the Foundation.