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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, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2016 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, 2015 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated June 13, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 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 13, 2017

AMERICAN FEDERATION FOR AGING RESEARCH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents (Note 7)	\$ 6,133,846	\$ 3,952,017
Contributions receivable (Note 3)	3,993,923	4,148,410
Investments (Note 4, 5)	10,520,421	9,448,494
Prepaid expenses, deposits and other assets	<u>128,253</u>	<u>121,712</u>
<u>Total Current Assets</u>	20,776,443	17,670,633
Contributions receivable - long term (Note 3)	778,310	3,147,806
Furniture, equipment and leasehold improvements - net (Note 12)	15,265	24,076
Beneficial interest in charitable remainder trust (Note 14)	<u>1,158,910</u>	<u>1,127,695</u>
<u>Total Assets</u>	<u>22,728,928</u>	<u>21,970,210</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Research grants and scholarships payable (Note 6)	\$ 1,674,972	\$ 2,010,971
Accounts payable and accrued expenses	<u>44,997</u>	<u>49,470</u>
<u>Total Current Liabilities</u>	1,719,969	2,060,441
Research grants and scholarships payable - long-term (Note 6)	<u>536,798</u>	<u>1,340,037</u>
<u>Total Liabilities</u>	<u>2,256,767</u>	<u>3,400,478</u>
Net Assets		
Unrestricted	5,037,128	4,564,377
Temporarily restricted (Note 7)	11,273,758	9,900,144
Permanently restricted (Note 9)	<u>4,161,275</u>	<u>4,105,211</u>
<u>Total Net Assets</u>	<u>20,472,161</u>	<u>18,569,732</u>
<u>Total Liabilities and Net Assets</u>	<u>22,728,928</u>	<u>21,970,210</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, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	Unrestricted		Board Designated	Total	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
	Operating	Reserve						
Support, Revenue and Reclassifications								
Contributions	\$ 709,498		\$ 709,498	\$ 5,205,342	\$ 56,064	\$ 5,970,904	\$ 2,572,395	
Changes in beneficial interest in charitable remainder trust				31,215		31,215	(22,362)	
Investment income, net (Note 13)	9,337	\$ 106,848	\$ 172,503	390,481		679,169	43,040	
Investment drawdown	274,870		274,870	(274,870)				
AFAR Dinner and Conference, net (Note 17)	193,336		193,336			193,336		
Conference registration	34,012		34,012			34,012	24,644	
Net Assets released from restrictions	3,978,554		3,978,554	(3,978,554)				
Total	<u>5,199,607</u>	<u>106,848</u>	<u>172,503</u>	<u>1,373,614</u>	<u>56,064</u>	<u>6,908,636</u>	<u>2,617,717</u>	
Expenses (Exhibit D)								
Research Grants and Scholarships	3,803,385		3,803,385			3,803,385	9,102,902	
Meetings and Public Education	366,869		366,869			366,869	429,680	
Management and general	446,218		446,218			446,218	449,873	
Fund-raising	389,735		389,735			389,735	351,227	
Total	<u>5,006,207</u>		<u>5,006,207</u>			<u>5,006,207</u>	<u>10,333,682</u>	
Change in Net Assets for Year	193,400	106,848	172,503	1,373,614	56,064	1,902,429	(7,715,965)	
Net Assets, beginning of year	318,904	2,083,838	2,161,635	9,900,144	4,105,211	18,569,732	26,285,697	
Net Assets, End of Year	<u>512,304</u>	<u>2,190,686</u>	<u>2,334,138</u>	<u>11,273,758</u>	<u>4,161,275</u>	<u>20,472,161</u>	<u>18,569,732</u>	

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, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	<u>2016</u>	<u>2015</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets for the year	\$1,902,429	\$(7,715,965)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	11,561	26,543
Realized and change in unrealized appreciation	(605,389)	30,690
Change in beneficial interest in Charitable Remainder Trust	(31,215)	22,362
Change in operating assets and liabilities:		
Contributions receivable	2,523,983	5,337,060
Prepaid expenses, deposits and other assets	(6,541)	(22,135)
Accounts payable and accrued expenses	(4,473)	600
Research grants and scholarships payable	<u>(1,139,238)</u>	<u>534,381</u>
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>2,651,117</u>	<u>(1,786,464)</u>
<u>Cash Flows from Investing Activities</u>		
Net purchases of short-term cash investments	(348,896)	(255,397)
Purchases of investments	(1,955,202)	(2,638,474)
Proceeds from sales of investments	1,837,560	2,601,842
Purchase of furniture and equipment	<u>(2,750)</u>	<u>-</u>
<u>Net Cash (Used in) Investing Activities</u>	<u>(469,288)</u>	<u>(292,029)</u>
Net Increase (Decrease) in cash and cash equivalents	2,181,829	(2,078,493)
Cash and cash equivalents, beginning of year	<u>3,952,017</u>	<u>6,030,510</u>
Cash and cash equivalents, end of year	<u>6,133,846</u>	<u>3,952,017</u>

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

AMERICAN FEDERATION FOR AGING RESEARCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	Research Grants and Scholarships	Meetings and Public Education	Total Program	Management and General	Fund- Raising	Total Supporting Services	Total 2016	Total 2015
AFAR grants	\$2,469,378		\$2,469,378				\$2,469,378	\$ 3,788,090
Beeson grants (Note 16)	134,145		134,145				134,145	949,032
Medical Student grants	10,000		10,000				10,000	230,137
National Program Offices grants	17,000	\$ 10,700	27,700				27,700	2,807,000
Other grants and scholarships	2,630,523	10,700	2,641,223				2,641,223	36,786
Grant refunds and discounts	(76,880)		(76,880)				(76,880)	7,811,045
	<u>2,553,643</u>	<u>10,700</u>	<u>2,564,343</u>				<u>2,564,343</u>	<u>7,691,654</u>
Salaries	577,332	110,021	687,353	\$227,847	\$225,012	\$452,859	1,140,212	1,139,887
Payroll taxes and employee benefits	169,461	32,236	201,697	66,759	65,929	132,688	334,385	333,960
	<u>746,793</u>	<u>142,257</u>	<u>889,050</u>	<u>294,606</u>	<u>290,941</u>	<u>585,547</u>	<u>1,474,597</u>	<u>1,473,847</u>
Total Salaries and Related Expenses								
Conferences and symposia	258,938	132,244	391,182	16,454	11,329	27,783	418,965	522,350
Website development and content		1,635	1,635				1,635	7,213
Publications	17,535	10,790	28,325		4,494	4,494	32,819	38,211
Occupancy	111,531	30,849	142,380	49,833	45,087	94,920	237,300	240,806
Scientific advisors and writers (Note 19)	26,000		26,000		17,935	52,209	26,000	134,000
Office and technology	17,924	4,956	22,880	34,274		75,089	75,089	69,478
Professional fees				28,250		28,250	28,250	27,250
Depreciation and amortization	5,433	1,503	6,936	2,428	2,197	4,625	11,561	26,543
Insurance				11,007		11,007	11,007	11,265
Telephone	5,680	1,569	7,249	5,535	3,215	8,750	15,999	13,293
Dues and filing fees	11,233		11,233	3,831	700	4,531	15,764	15,260
Public relations and communications	48,675	28,351	77,026		1,625	1,625	78,651	59,429
Other		2,015	2,015		12,212	12,212	14,227	3,083
	<u>502,949</u>	<u>213,912</u>	<u>716,860</u>	<u>151,612</u>	<u>98,794</u>	<u>250,406</u>	<u>967,267</u>	<u>1,168,181</u>
Total Other Expenses								
	<u>3,803,385</u>	<u>366,869</u>	<u>4,170,254</u>	<u>446,218</u>	<u>389,735</u>	<u>835,953</u>	<u>5,006,207</u>	<u>10,333,682</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, 2016

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 are set aside to assist AFAR in maintaining supporting services during 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, excluding 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, 2016

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.

FASB guidance allows for the use of Net Asset Value (“NAV”) as a “practical expedient” for estimating the fair value in alternative investments, as reported by the investment manager. Under this guidance, AFAR has adopted a policy of excluding these types of investments from the fair value hierarchy as applicable.

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, 2015, 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, 2016

Note 3 - Contributions Receivable

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

	2016	2015
Unrestricted	\$ 28,250	\$ 51,183
Temporarily restricted:		
John A. Hartford Foundation	1,808,255	2,745,022
Irene Diamond Fund	1,020,000	
Atlantic Philanthropies		195,000
Ellison Medical Foundation	907,500	1,512,500
Glenn Foundation for Medical Research	1,000,000	2,690,000
Gilbert Foundation		263,352
Other	40,000	45,156
	4,775,755	7,451,030
	4,804,005	7,502,213

Contributions receivable, net of discount to present value (at a discount rate of 3.75% in 2016 and 3.50% in 2015), as of December 31 were due to be collected as follows:

	2016	2015
Less than one year	\$3,993,923	\$4,148,410
One to five years	810,082	3,353,803
	4,804,005	7,502,213
Less discount to present value	31,772	205,997
	4,772,233	7,296,216

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	\$4,161,275
Temporarily restricted net assets	676,382
Board designated net assets	2,334,138
Unrestricted reserve	1,445,762
Unrestricted net assets (pending transfers)	302,868
	8,920,425

AMERICAN FEDERATION OF AGING RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4 - Endowment (Continued)

Changes within the endowment during the year ended December 31, 2016 and 2015 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, 2015	\$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 Transfer	_____	(274,868)	_____	500,000	274,868 (500,000)	_____
Balance, December 31, 2015	4,105,211	560,771	2,161,635	1,338,914	302,866	8,469,397
Contributions - Irving Kahn Fund	56,064					56,064
Net investment earnings		390,481	172,503	106,848		669,832
Appropriated for expenditure Transfer	_____	(274,870)	_____	_____	274,870 (274,868)	(274,868)
Balance, December 31, 2016	<u>4,161,275</u>	<u>676,382</u>	<u>2,334,138</u>	<u>1,445,762</u>	<u>302,868</u>	<u>8,920,425</u>

Note 5 - Investments

The summary of investments is as follows:

	<u>2016</u>		<u>2015</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	\$1,600,000	\$1,600,205	\$ 979,934	\$ 979,127
Corporate bonds	787,141	787,141	438,246	438,246
Common stocks	189,372	177,300	297,451	283,217
Mutual funds:	260,198	284,434	217,673	211,624
Equity	5,509,552	7,109,208	5,473,792	6,979,342
Fixed income	569,355	562,133	564,134	556,938
	<u>8,915,618</u>	<u>10,520,421</u>	<u>7,971,230</u>	<u>9,448,494</u>

The certificates of deposit included in investments are not considered part of the endowment.

AMERICAN FEDERATION OF AGING RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 5 - Investments (Continued)

The Organization's investments are categorized as follows:

	<u>2016</u>		<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	
Cash, money funds and certificates of deposit	\$ 787,141	\$1,600,205	\$2,387,346
Corporate bonds		177,300	177,300
Common stocks	284,434		284,434
Mutual funds:			
Equity	7,109,208		7,109,208
Fixed income	<u>562,133</u>		<u>562,133</u>
	<u>8,742,916</u>	<u>1,777,505</u>	<u>10,520,421</u>
	<u>2015</u>		<u>Total</u>
	<u>Level 1</u>	<u>Level 2</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>

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 3.75% in 2016 and 3.50% in 2015), were due to be paid as follows as of December 31:

	<u>2016</u>	<u>2015</u>
Less than one year	\$1,674,972	\$2,010,971
One to five years	<u>562,083</u>	<u>1,411,250</u>
	2,237,055	3,422,221
Less discount to present value	<u>25,285</u>	<u>71,213</u>
	<u>2,211,770</u>	<u>3,351,008</u>

AMERICAN FEDERATION OF AGING RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 7 - Temporarily Restricted Net Assets

In 2016 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, 2016 and 2015, temporarily restricted net assets are restricted for the following purposes:

	2016	2015
Paul B. Beeson Career Development Awards in Aging and Research Program	\$ 2,230,283	\$ 2,730,942
Postdoctoral Fellowships	4,070,779	623,124
National program office grants	301,806	344,858
Charina Endowment Fund	206,000	-
Other grants and scholarships and related program costs	2,681,360	4,522,229
Lecture series	49,063	52,203
Earnings and appreciation on endowment	575,557	499,093
Robert and Bette Nielsen Fund (Note 14)	1,158,910	1,127,695
	11,273,758	9,900,144

At December 31, 2016, AFAR was holding approximately \$6,800,250 of cash that was part of temporarily restricted net assets. This cash is shown as part of cash and cash equivalents and investments.

During 2016 and 2015, temporarily restricted net assets were released from restrictions in fulfillment of the following purposes:

	2016	2015
Paul B. Beeson Career Development Awards in Aging and Research Program	\$ 564,859	\$1,470,744
National program office grants	153,031	3,043,264
Charina Endowment Fund	44,000	-
Other grants and scholarships and related program costs	2,788,779	4,331,714
Lecture series	7,000	6,000
Supporting services	420,885	481,590
	3,978,554	9,333,312

The above amounts released from restriction primarily represent revenue recognized in prior years and expended in 2016 and 2015, 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, 2016

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, 2016 and 2015, as well as the purpose for which the income is expendable, were as follows:

		<u>2016</u>	<u>2015</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	281,029	224,965
AFAR - North Carolina Fund	Student Fund	<u>100,000</u>	<u>100,000</u>
		<u><u>4,161,275</u></u>	<u><u>4,105,211</u></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 2016 and 2015, 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 2016 and 2015 amounted to \$83,023 and \$76,898, respectively.

Note 11 - Commitments

AFAR's lease for office space at 55 West 39th Street, New York City was set to expire on January 31, 2017. AFAR negotiated new lease terms to remain in its current office space. The new lease ends on January 31, 2022. Rent expense totaled \$237,300 for 2016 and \$240,807 for 2015.

The minimum lease commitment under this lease at December 31, 2016 is as follows:

2017	\$ 223,675
2018	228,800
2019	234,521
2020	240,384
2021	246,393
2022	<u>20,575</u>
	<u><u>1,194,348</u></u>

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Note 12 - Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements consists of the following:

	2016	2015
Furniture and equipment	\$211,022	\$208,272
Leasehold improvements	7,263	7,263
	218,285	215,535
Less accumulated depreciation	203,020	191,459
	15,265	24,076

Note 13 - Investment Income - Net

Investment Income is comprised of the following items:

	2016	2015
Unrestricted - Operating:		
Earnings on cash and temporary investments	\$ 9,318	\$ 8,071
Change in unrealized appreciation on investments	833	(627)
Investment fees	(814)	(1,636)
	9,337	5,808
Earnings on Endowment Portfolio:		
Interest and dividends	95,187	96,388
Realized gains	477,850	366,842
Change in unrealized appreciation on investments	126,706	(396,905)
Investment fees	(29,911)	(29,093)
	669,832	37,232
Total	679,169	43,040

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 \$1,158,910 based on a trust value of \$1,414,207 as of December 31, 2016 and using a discount rate of 3.75%. This represents an increase of \$31,215 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, 2016 through June 13, 2017, 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

On November 2, 2016 AFAR held its 35th Anniversary Dinner in New York City. This dinner generated \$193,336 which is net of \$77,094 of expenses. In 2015, AFAR did not hold an annual dinner, but held several smaller events for which tickets were sold.

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 was made in the form of a transfer to AFAR of 34 percent of IDF's interests in a piece of real property. On November 1, 2016 the interest was transferred and the real property was sold for \$10,000,000. AFAR received \$2,798,192 in cash and a note receivable for the balance of \$1,020,000. The note bears an interest rate of 0.68% per annum and is due on November 1, 2017. The first awards for the Irene Diamond Fund/AFAR Postdoctoral Fellowships will be made in the Fall of 2017.

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.