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MEMBERS
AMERICAN INSTITUTE OF
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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, 2017, 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, 2017 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, 2016 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated June 13, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rosen J. Flanagan + Co.

New York, NY
June 20, 2018

AMERICAN FEDERATION FOR AGING RESEARCH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and cash equivalents (Note 7)	\$ 5,690,559	\$ 6,133,846
Contributions receivable (Note 3)	1,837,188	3,993,923
Investments (Note 4, 5)	12,294,338	10,520,421
Prepaid expenses, deposits and other assets	<u>104,571</u>	<u>128,253</u>
<u>Total Current Assets</u>	19,926,656	20,776,443
Contributions receivable - long term (Note 3)	4,139,626	778,310
Furniture, equipment and leasehold improvements - net (Note 12)	7,531	15,265
Beneficial interest in charitable remainder trust (Note 14)	<u>1,224,678</u>	<u>1,158,910</u>
<u>Total Assets</u>	<u>25,298,491</u>	<u>22,728,928</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Research grants and scholarships payable (Note 6)	\$ 2,099,286	\$ 1,674,972
Accounts payable and accrued expenses	<u>117,267</u>	<u>44,997</u>
<u>Total Current Liabilities</u>	2,216,553	1,719,969
Research grants and scholarships payable - long-term (Note 6)	<u>364,250</u>	<u>536,798</u>
<u>Total Liabilities</u>	<u>2,580,803</u>	<u>2,256,767</u>
Net Assets		
Unrestricted	5,727,749	5,037,128
Temporarily restricted (Note 7)	12,778,664	11,273,758
Permanently restricted (Note 9)	<u>4,211,275</u>	<u>4,161,275</u>
<u>Total Net Assets</u>	<u>22,717,688</u>	<u>20,472,161</u>
<u>Total Liabilities and Net Assets</u>	<u>25,298,491</u>	<u>22,728,928</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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	Unrestricted		Board Designated	Total	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
	Operating	Reserve						
<u>Support, Revenue and Reclassifications</u>								
Contributions	\$ 666,506		\$ 666,506	\$ 207,763	\$ 5,438,058	\$ 50,000	\$ 6,154,564	\$ 5,970,904
Government grants (Note 19)	207,763						207,763	
Changes in beneficial interest in charitable remainder trust	30,465	\$ 279,898	\$ 451,887	762,250	65,768		65,768	31,215
Investment income, net (Note 13)	396,620			396,620	922,758		1,685,008	679,169
Investment drawdown					(396,620)			
AFAR Reception and Conference, net (Note 17)	45,388			45,388			45,388	193,336
Conference registration	33,326			33,326			33,326	34,012
Net Assets released from restrictions	4,525,058			4,525,058	(4,525,058)			
<u>Total</u>	<u>5,905,126</u>	<u>279,898</u>	<u>451,887</u>	<u>6,636,911</u>	<u>1,504,906</u>	<u>50,000</u>	<u>8,191,817</u>	<u>6,908,636</u>
<u>Expenses (Exhibit D)</u>								
Research Grants and Scholarships	4,304,658			4,304,658			4,304,658	3,803,385
Meetings and Public Education	581,335			581,335			581,335	366,869
Management and general	547,255			547,255			547,255	446,218
Fund-raising	513,042			513,042			513,042	389,735
<u>Total</u>	<u>5,946,290</u>			<u>5,946,290</u>			<u>5,946,290</u>	<u>5,006,207</u>
Change in Net Assets for Year	(41,164)	279,898	451,887	690,621	1,504,906	50,000	2,245,527	1,902,429
Net Assets, beginning of year	512,304	2,190,686	2,334,138	5,037,128	11,273,758	4,161,275	20,472,161	18,569,732
Net Assets, End of Year	<u>471,140</u>	<u>2,470,584</u>	<u>2,786,025</u>	<u>5,727,749</u>	<u>12,778,664</u>	<u>4,211,275</u>	<u>22,717,688</u>	<u>20,472,161</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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	<u>2017</u>	<u>2016</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets for the year	\$2,245,527	\$1,902,429
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,734	11,561
Realized and change in unrealized appreciation	(1,567,051)	(605,389)
Change in beneficial interest in Charitable Remainder Trust	(65,768)	(31,215)
Change in operating assets and liabilities:		
Contributions receivable	(1,204,581)	2,523,983
Prepaid expenses, deposits and other assets	23,682	(6,541)
Accounts payable and accrued expenses	72,270	(4,473)
Research grants and scholarships payable	<u>251,766</u>	<u>(1,139,238)</u>
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>(236,421)</u>	<u>2,651,117</u>
<u>Cash Flows from Investing Activities</u>		
Net purchases of short-term cash investments	118,514	(348,896)
Purchases of investments	(1,595,382)	(1,955,202)
Proceeds from sales of investments	1,270,002	1,837,560
Purchase of furniture and equipment	<u>-</u>	<u>(2,750)</u>
<u>Net Cash Used in Investing Activities</u>	<u>(206,866)</u>	<u>(469,288)</u>
Net Increase (Decrease) in cash and cash equivalents	(443,287)	2,181,829
Cash and cash equivalents, beginning of year	<u>6,133,846</u>	<u>3,952,017</u>
Cash and cash equivalents, end of year	<u><u>5,690,559</u></u>	<u><u>6,133,846</u></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, 2017

(WITH COMPARATIVE TOTALS FOR 2016)

	Research Grants and Scholarships	Meetings and Public Education	Total Program	Management and General	Fund- Raising	Total Supporting Services	Total 2017	Total 2016
AFAR grants	\$3,182,853		\$3,182,853				\$3,182,853	\$2,469,378
Beeson grants (Note 16)	87,528		87,528				87,528	
Medical Student grants	103,950		103,950				103,950	134,145
National Program Offices grants	19,143	\$ 10,000	29,143				29,143	27,700
Other grants and scholarships	3,393,474	10,000	3,403,474				3,403,474	2,641,223
Grant refunds and discounts	(118,475)		(118,475)				(118,475)	(76,880)
Total Grants and Scholarships (Net)	3,274,999	10,000	3,284,999	389,649	304,938	694,587	1,509,559	1,474,597
Salaries	417,485	215,529	633,014	\$302,652	\$236,855	\$ 539,507	1,172,521	1,140,212
Payroll taxes and employee benefits	120,005	61,953	181,958	86,997	68,083	155,080	337,038	334,385
Total Salaries and Related Expenses	537,490	277,482	814,972	389,649	304,938	694,587	1,509,559	1,474,597
Conferences and symposia	247,287	157,210	404,497	15,524	5,096	20,620	425,117	418,965
Website development and content		23,645	23,645				23,645	1,635
Publications	6,797	20,005	26,802		2,625	2,625	29,427	32,819
Occupancy	119,869	33,155	153,024	53,558	48,458	102,016	255,040	237,300
Scientific advisors and other consultants	17,000	18,333	35,333		120,000	120,000	155,333	26,000
Office and technology	16,373	6,524	22,897	34,837	25,264	60,101	82,998	75,089
Professional fees				32,734		32,734	32,734	28,250
Depreciation and amortization	3,635	1,005	4,640	1,624	1,470	3,094	7,734	11,561
Insurance				11,000		11,000	11,000	11,007
Telephone	6,885	1,645	8,530	5,185	2,312	7,497	16,027	15,999
Dues and filing fees	9,388		9,388	3,144		3,144	12,532	15,764
Public relations and communications	64,935	32,331	97,266		2,879	2,879	97,266	78,651
Other							2,879	14,227
Total Other Expenses	492,169	293,853	786,022	157,606	208,104	365,710	1,151,732	967,267
Total Expenses	4,304,658	581,335	4,885,993	547,255	513,042	1,060,297	5,946,290	5,006,207

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, 2017

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, 2017

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, 2016, 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, 2017

Note 3 - Contributions Receivable

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

	2017	2016
Unrestricted	\$ 114,552	\$ 28,250
Temporarily restricted:		
John A. Hartford Foundation	1,236,146	1,808,255
Irene Diamond Fund	80,000	1,020,000
Ellison Medical Foundation	302,500	907,500
Glenn Foundation for Medical Research	4,350,249	1,000,000
Other	183,823	40,000
	6,152,718	4,775,755
	6,267,270	4,804,005

Contributions receivable, net of discount to present value (at a discount rate of 4.50% in 2017 and 3.75% in 2016), as of December 31 were due to be collected as follows:

	2017	2016
Less than one year	\$1,837,188	\$3,993,923
One to five years	4,430,082	810,082
	6,267,270	4,804,005
Less discount to present value	290,456	31,772
	5,976,814	4,772,233

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	\$ 4,211,275
Temporarily restricted net assets	1,202,520
Board designated net assets	2,786,025
Unrestricted reserve	1,725,660
Unrestricted net assets (pending transfers)	424,618
	10,350,098

AMERICAN FEDERATION OF AGING RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 4 - Endowment (Continued)

Changes within the endowment during the year ended December 31, 2017 and 2016 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, 2016	\$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	4,161,275	676,382	2,334,138	1,445,762	302,868	8,920,425
Contributions - Irving Kahn Fund	50,000					50,000
Net investment earnings		922,758	451,887	279,898		1,654,543
Appropriated for expenditure Transfer		(396,620)			396,620 (274,870)	(274,870)
Balance, December 31, 2017	<u>4,211,275</u>	<u>1,202,520</u>	<u>2,786,025</u>	<u>1,725,660</u>	<u>424,618</u>	<u>10,350,098</u>

Note 5 - Investments

The summary of investments is as follows:

	<u>2017</u>		<u>2016</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	\$1,950,000	\$1,944,449	\$1,600,000	\$1,600,205
U.S. Treasury Notes	668,627	668,627	787,141	787,141
Corporate bonds	499,176	498,896	189,372	177,300
Common stocks	399,960	392,372	260,198	284,434
Mutual funds:				
Equity	309,574	374,765	5,509,552	7,109,208
Fixed income	5,535,719	7,848,091	569,355	562,133
	<u>9,938,578</u>	<u>12,294,338</u>	<u>8,915,618</u>	<u>10,520,421</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, 2017

Note 5 - Investments (Continued)

The Organization's investments are categorized as follows:

	<u>2017</u>		<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	
Cash, money funds and certificates of deposit	\$ 668,627	\$1,944,449	\$ 2,613,076
US Treasury Notes	498,896		498,896
Corporate bonds		392,372	392,372
Common stocks			
Telecommunications	100,680		100,680
Banking	74,410		74,410
Oil-International	63,045		63,045
Other	136,630		136,630
Mutual funds:			
Equity			
U.S. Large Growth	2,260,681		2,260,681
International Large	1,118,502		1,118,502
Large Blend	2,218,994		2,218,994
Other	2,249,914		2,249,914
Fixed income	<u>567,138</u>		<u>567,138</u>
	<u>9,957,517</u>	<u>2,336,821</u>	<u>12,294,338</u>
	<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>

Note 6 - Research Grants and Scholarships Payable

Research grants and scholarships payable, net of discount to present value (at a discount rate of 4.5 % in 2017 and 3.75% in 2016), were due to be paid as follows as of December 31:

	<u>2017</u>	<u>2016</u>
Less than one year	\$2,099,286	\$1,674,972
One to five years	<u>378,813</u>	<u>562,083</u>
	2,478,099	2,237,055
Less discount to present value	<u>14,563</u>	<u>25,285</u>
	<u>2,463,536</u>	<u>2,211,770</u>

AMERICAN FEDERATION OF AGING RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 7 - Temporarily Restricted Net Assets

In 2017 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, 2017 and 2016, temporarily restricted net assets are restricted for the following purposes:

	<u>2017</u>	<u>2016</u>
Paul B. Beeson Career Development Awards in Aging and Research Program	\$ 1,727,136	\$ 2,230,283
Postdoctoral Fellowships	4,685,661	4,070,779
National program office grants	43,795	301,806
Other grants and scholarships and related program costs	3,920,500	2,887,360
Lecture series	73,628	49,063
Earnings and appreciation on endowment	1,103,266	575,557
Robert and Bette Nielsen Fund (Note 14)	<u>1,224,678</u>	<u>1,158,910</u>
	<u>12,778,664</u>	<u>11,273,758</u>

At December 31, 2017, AFAR was holding approximately \$4,656,350 of cash that was part of temporarily restricted net assets. This cash is shown as part of cash and cash equivalents and investments.

During 2017 and 2016, temporarily restricted net assets were released from restrictions in fulfillment of the following purposes:

	<u>2017</u>	<u>2016</u>
Paul B. Beeson Career Development Awards in Aging and Research Program	\$ 500,318	\$ 564,859
National program office grants	85,659	153,031
Other grants and scholarships and related program costs	3,317,380	2,788,779
Lecture series	4,143	7,000
Supporting services	<u>617,558</u>	<u>464,885</u>
	<u>4,525,058</u>	<u>3,978,554</u>

The above amounts released from restriction primarily represent revenue recognized in prior years and expended in 2017 and 2016, 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, 2017

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, 2017 and 2016, as well as the purpose for which the income is expendable, were as follows:

		<u>2017</u>	<u>2016</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	331,029	281,029
AFAR - North Carolina Fund	Student Fund	<u>100,000</u>	<u>100,000</u>
		<u>4,211,275</u>	<u>4,161,275</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 2017 and 2016, the Board approved appropriating approximately 5% and 4%, respectively, of permanently restricted funds (original gift plus the accumulated unappropriated earnings).

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 2017 and 2016 amounted to \$92,521 and \$83,023, respectively.

Note 11 - Commitments

AFAR leases for office space at 55 West 39th Street, New York City under a lease expiring January 21, 2022. Rent expense totaled \$255,040 for 2017 and \$237,300 for 2016.

The minimum lease commitment under this lease at December 31, 2017 is as follows:

2018	\$228,800
2019	234,521
2020	240,384
2021	246,393
2022	<u>20,575</u>
	<u>970,673</u>

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Note 12 - Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements consists of the following:

	2017	2016
Furniture and equipment	\$132,058	\$211,022
Leasehold improvements	7,263	7,263
	139,321	218,285
Less accumulated depreciation	131,790	203,020
	7,531	15,265

Note 13 - Investment Income - Net

Investment Income is comprised of the following items:

	2017	2016
Unrestricted - Operating:		
Earnings on cash and temporary investments	\$ 38,039	\$ 9,318
Change in unrealized appreciation on investments	(5,756)	833
Investment fees	(1,818)	(1,636)
	30,465	9,337
Earnings on Endowment Portfolio:		
Interest and dividends	113,745	95,187
Realized gains	816,094	477,850
Change in unrealized appreciation on investments	756,713	126,706
Investment fees	(32,009)	(29,911)
	1,654,543	669,832
Total	1,685,008	679,169

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 \$1,224,678 based on a trust value of \$1,549,268 as of December 31, 2017 and using a discount rate of 4.5%. This represents an increase of \$65,768 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, 2017 through June 20, 2018, 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 2017, AFAR held a Luncheon Symposium on July 25, 2017 at the IAGG Conference. The luncheon generated \$45,388 which is net of \$20,512 of expenses. On November 2, 2016, AFAR held its 35th Anniversary Dinner in New York City. The dinner generated \$193,336 which is net of \$77,094 of expenses.

Note 18 - 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 with interest at 0.68% per annum for the balance of \$1,020,000. The note was paid in full on November 1, 2017. The first awards for the Irene Diamond Fund/AFAR Postdoctoral Fellowships were made on November 2017 and totaled \$950,253.

Note 19 - Government Grants

During 2017, AFAR was awarded two government grants from the National Institute on Aging. Payment of the grants are conditioned on AFAR incurring expenses for specific programs. The first grant, awarded on March 23, 2017 in the amount of \$1,310,992 is to be spent during the three year period from April 1, 2017 to March 31, 2020. It is for the creation of the Nathan Shock Coordinating Center. AFAR has been designated as the first Coordinating Center for the Nathan Shock Centers of Excellence in the Basic Biology of Aging. As the Coordinating Center, AFAR will develop and implement data quality control and sharing, provide logistical support and implement evaluation strategies to assess effectiveness and guide future directions. In addition, the Coordinating Center will communicate the capabilities and achievements of the individual Centers to other aging researchers and the general public, provide information resources and serve as a scientific exchange forum. In 2017, AFAR earned \$157,763.

The second grant, awarded on September 9, 2017, will provide \$50,000 per year for five years in support of AFAR's annual Beeson Conference. The first installment was received in 2017.