

AMERICAN FEDERATION FOR
AGING RESEARCH

DECEMBER 31, 2018

OWEN J. FLANAGAN & COMPANY, LLP

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MEMBERS
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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, 2018, 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, 2018 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, 2017 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Change in Accounting Principle

As described in Note to the financial statements, during the year ended December 31, 2018 AFAR adopted ASU 2016-14 which resulted in a change in the manner in which it presents its net assets and reports certain financial information within its financial statements. Our opinion is not modified with respect to this matter.

New York, NY
June 19, 2019



AMERICAN FEDERATION FOR AGING RESEARCH, INC.**STATEMENT OF FINANCIAL POSITION****DECEMBER 31, 2018****(WITH COMPARATIVE TOTALS FOR 2017)**

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents (Note 8)	\$ 3,138,557	\$ 5,690,559
Contributions receivable (Note 4)	3,182,244	1,837,188
Investments (Note 6)	12,475,058	12,294,338
Prepaid expenses, deposits and other assets	222,504	104,571
<u>Total Current Assets</u>	19,018,363	19,926,656
Contributions receivable - long term (Note 4)	952,493	4,139,626
Furniture, equipment and leasehold improvements - net (Note 13)	2,468	7,531
Beneficial interest in charitable remainder trust (Note 15)	1,166,626	1,224,678
<u>Total Assets</u>	<u>\$ 21,139,950</u>	<u>\$ 25,298,491</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Research grants and scholarships payable (Note 7)	\$ 1,322,498	\$ 2,099,286
Accounts payable and accrued expenses	179,432	117,267
<u>Total Current Liabilities</u>	1,501,930	2,216,553
Research grants and scholarships payable - long-term (Note 7)	390,476	364,250
<u>Total Liabilities</u>	1,892,406	2,580,803
Net Assets		
Without donor restriction	5,491,549	5,727,749
With donor restriction		
Purpose or time restricted (Note 8)	9,494,720	12,778,664
Funds held for long-term investment (Note 10)	4,261,275	4,211,275
<u>Total Net Assets</u>	19,247,544	22,717,688
<u>Total Liabilities and Net Assets</u>	<u>\$ 21,139,950</u>	<u>\$ 25,298,491</u>

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

AMERICAN FEDERATION FOR AGING RESEARCH, INC.**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED DECEMBER 31, 2018****(WITH COMPARATIVE TOTALS FOR 2017)**

	<u>2018</u>	<u>2017</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets for the year	\$ (3,470,144)	\$ 2,245,527
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	5,063	7,734
Realized and change in unrealized appreciation	1,076,181	(1,567,051)
Change in beneficial interest in Charitable Remainder Trust	58,052	(65,768)
Change in operating assets and liabilities:		
Contributions receivable	1,842,077	(1,204,581)
Prepaid expenses, deposits and other assets	(117,933)	23,682
Accounts payable and accrued expenses	62,165	72,270
Research grants and scholarships payable	(750,562)	251,766
<u>Net Cash Used in Operating Activities</u>	<u>(1,295,101)</u>	<u>(236,421)</u>
<u>Cash Flows from Investing Activities</u>		
Net purchases of short-term cash investments	(71,911)	118,514
Purchases of investments	(7,030,217)	(1,595,382)
Proceeds from sales of investments	5,845,227	1,270,002
<u>Net Cash Used in Investing Activities</u>	<u>(1,256,901)</u>	<u>(206,866)</u>
Net decrease in cash and cash equivalents	(2,552,002)	(443,287)
Cash and cash equivalents, beginning of year	5,690,559	6,133,846
Cash and cash equivalents, end of year	<u>\$ 3,138,557</u>	<u>\$ 5,690,559</u>

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

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

WITH COMPARATIVE TOTALS FOR 2017

	Research Grants and Scholarships	Meetings Public Education	Total Program	Management and General	Fund-Raising	Total Supporting Services	Total 2018	Total 2017
AFAR grants	\$ 3,429,639		\$ 3,429,639				\$ 3,429,639	\$ 3,182,853
Beeson grants (Note 17)	12,811		12,811				12,811	87,528
Medical Student grants	16,000		16,000				16,000	103,950
Nathan Shock Coordinating Center		\$ 160,385	160,385				160,385	
Other grants and scholarships	15,985	26,018	42,003				42,003	29,143
Grant refunds and discounts	3,474,435	186,403	3,660,838				3,660,838	3,403,474
	(214,502)		(214,502)				(214,502)	(118,475)
<u>Grants and Scholarships, net</u>	3,259,933	186,403	3,446,336				3,446,336	3,284,999
Salaries	293,388	380,493	673,881	\$ 321,341	\$ 231,653	\$ 552,994	1,226,875	1,172,521
Payroll taxes and employee benefits	92,072	119,407	211,479	100,844	72,698	173,542	385,021	337,038
<u>Total Salaries and Related Expenses</u>	385,460	499,900	885,360	422,185	304,351	726,536	1,611,896	1,509,559
Conferences and meetings	201,571	147,511	349,082	17,673	12,361	30,034	379,116	391,791
Website development and content		4,355	4,355			-	4,355	23,645
Publications	6,837	9,164	16,001		3,226	3,226	19,227	29,427
Occupancy	121,220	33,529	154,749	54,162	49,004	103,166	257,915	255,040
Scientific advisors and other consultants	12,000	36,833	48,833		120,000	120,000	168,833	155,333
Office and technology	19,002	8,291	27,293	22,846	13,477	36,323	63,616	82,998
Professional fees				28,250		28,250	28,250	32,734
Depreciation and amortization	800		800	3,588	675	4,263	5,063	7,734
Insurance				10,917		10,917	10,917	11,000
Telephone	8,310	1,824	10,134	4,391	2,400	6,791	16,925	16,027
Dues and filing fees	9,281		9,281	2,988	7,453	10,441	19,722	12,532
Public relations and communications	2,422	52,569	54,991	802		802	55,793	97,266
Other					3,136	3,136	3,136	2,879
<u>Total Other Expenses</u>	381,443	294,076	675,519	145,617	211,732	357,349	1,032,868	1,118,406
<u>Total Expenses</u>	\$ 4,026,836	\$ 980,379	\$ 5,007,215	\$ 567,802	\$ 516,083	\$ 1,083,885	\$ 6,091,100	\$ 5,912,964

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

AMERICAN FEDERATION OF AGING RESEARCH, INC.NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2018Note 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 - Change in Accounting Principle

On January 1, 2018, the AFAR adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires AFAR to report based on two net asset classes, net assets with donor restriction and net assets without donor restriction. In addition, the new guidance requires AFAR to report investment revenue net of direct expenses and to make certain expanded disclosures relating to (1) the liquidity and availability of financial assets, and (2) expenses by both their natural and functional classification in one location within the financial statements.

Note 3- Summary of Significant Accounting PoliciesBasis of Presentation

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

Net Assets without Donor Restriction - 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 net assets without donor restriction 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 Directors to be treated as if they were funds for long-term investment.

Net Assets with Donor Restriction- This category is disaggregated into two parts.

Time or Purpose Restriction - These assets are donor restricted for either a specific purpose or a future time period. They also include earnings on Funds Held for Long-Term Investment not yet appropriated for spending by the Board from 2010 onward.

Funds Held for Long-Term Investment - 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.

AMERICAN FEDERATION OF AGING RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 3- Summary of Significant Accounting Policies (Continued)

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.

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 net assets with donor restriction. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is fulfilled, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Earnings on funds held for long term investment are classified as purpose 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. Government grants received and expended in the same year are treated as without donor restriction.

Research Grants and Scholarships

Research grants and scholarships are recorded as an 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.

AMERICAN FEDERATION OF AGING RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 3- Summary of Significant Accounting Policies (Continued)

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, 2017, from which the information was derived. Certain prior year financial statement amounts have been reclassified to conform to the current year presentation.

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 have been allocated by function 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.

Note 4 - Contributions Receivable

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

	<u>2018</u>	<u>2017</u>
Without donor restriction	<u>\$ 114,692</u>	<u>\$ 114,552</u>
With donor restriction:		
Glenn Foundation for Medical Research	2,127,500	4,350,249
Ellison Medical Foundation	-	302,500
John A. Hartford Foundation	1,073,463	1,236,146
National Institute on Aging	343,024	163,824
Gilbert Foundation	141,147	-
Irene Diamond Fund	-	80,000
Other	400,000	19,999
	<u>4,085,134</u>	<u>6,152,718</u>
	<u>\$ 4,199,826</u>	<u>\$ 6,267,270</u>

AMERICAN FEDERATION OF AGING RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 4 - Contributions Receivable (Continued)

Contributions receivable, net of discount to present value (at a discount rate of 5% in 2018 and 4.5% in 2017), as of December 31 were due to be collected as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 3,182,243	\$ 1,837,188
One to five years	<u>1,017,553</u>	<u>4,430,082</u>
	4,199,796	6,267,270
Less: discount to present value	<u>65,060</u>	<u>290,456</u>
	<u>\$ 4,134,736</u>	<u>\$ 5,976,814</u>

Note 5 - Endowment

AFAR invests its endowment with the goal of investment growth outpacing inflation. AFAR 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:

Net assets with donor restriction	
Funds held for long-term investment	\$ 4,261,275
Purpose or time restricted	<u>716,750</u>
	<u>4,978,025</u>
Net assets without donor restriction	
Board designated net assets	2,550,979
Reserve fund	1,647,537
Operating (Pending transfers)	<u>333,424</u>
	<u>4,531,940</u>
	<u>\$ 9,509,965</u>

AMERICAN FEDERATION OF AGING RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 5 – Endowment (Continued)

Changes within the Endowment during the years ended December 31, 2018 and 2017 were as follows:

	<u>Long-Term Investment</u>	<u>Purpose or Time Restricted</u>	<u>Board Designated</u>	<u>Reserve</u>	<u>Pending Transfer</u>	<u>Total</u>
Balance, January 1, 2017	\$ 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		(396,620)			396,620	-
Transfer					(274,870)	(274,870)
Balance, December 31, 2017	4,211,275	1,202,520	2,786,025	1,725,660	424,618	10,350,098
Contributions Irving Kahn Fund	50,000					
Net investment loss		(289,262)	(126,128)	(78,123)		(493,513)
Appropriated for expenditure		(196,508)	(108,918)		305,426	-
Transfer					(396,620)	(396,620)
Balance, December 31, 2018	<u>\$ 4,261,275</u>	<u>\$ 716,750</u>	<u>\$ 2,550,979</u>	<u>\$ 1,647,537</u>	<u>\$ 333,424</u>	<u>\$ 9,509,965</u>

AMERICAN FEDERATION OF AGING RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 6 - Investments

The summary of investments is as follows:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit held separately	\$ 490,000	\$ 489,694	\$ 1,950,000	\$ 1,944,449
Cash and money fund held in endowment	740,538	740,538	668,627	668,627
U.S. Treasury Notes	3,802,279	3,816,457	499,176	498,896
Corporate bonds	393,708	388,317	399,960	392,372
Common stocks	375,363	363,021	309,574	374,765
Mutual funds:				
Equity	5,685,834	6,677,031	5,535,719	7,848,091
Fixed income	-	-	575,522	567,138
	<u>\$ 11,487,722</u>	<u>\$ 12,475,058</u>	<u>\$ 9,938,578</u>	<u>\$ 12,294,338</u>

AFAR's investments are categorized as follows:

	2018		
	Total	Level 1	Level 2
Certificates of deposit	\$ 489,694		\$ 489,694
Cash and money funds	740,538	\$ 740,538	
U.S. Treasury Notes	3,816,457	3,816,457	
Corporate bonds	388,317		388,317
Common stocks			
Financials	135,280	135,280	
Telecommunications	68,040	68,040	
Oil - international	56,880	56,880	
Other	102,821	102,821	
Mutual funds:			
Equity			
U.S. large cap	2,815,373	2,815,373	
Growth	1,898,158	1,898,158	
International large cap	979,182	979,182	
Other	984,318	984,318	
	<u>\$ 12,475,058</u>	<u>\$ 11,597,047</u>	<u>\$ 878,011</u>

AMERICAN FEDERATION OF AGING RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 6 - Investments (Continued)

	2017		
	Total	Level 1	Level 2
Cash, money funds and certificates of deposit	\$ 2,613,076	\$ 668,627	\$ 1,944,449
U.S. 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	567,138	567,138	
	<u>\$ 12,294,338</u>	<u>\$ 9,957,517</u>	<u>\$ 2,336,821</u>

Note 7 - Research Grants and Scholarships Payable

Research grants and scholarships payable, net of discount to present value (at a discount rate of 5% in 2018 and 4.5% in 2017), were due to be paid as follows as of December 31:

	2018	2017
Less than one year	\$ 1,322,498	\$ 2,099,286
One to five years	410,000	378,813
	<u>1,732,498</u>	<u>2,478,099</u>
Less discount to present value	19,522	14,563
	<u>\$ 1,712,976</u>	<u>\$ 2,463,536</u>

Note 8 – Net Assets with Donor Restrictions – Purpose or Time

In 2018 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 contribution with donor restriction 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.

AMERICAN FEDERATION OF AGING RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 8 – Net Assets with Donor Restrictions – Purpose or Time (Continued)

Funds received but not yet expended, as well as amounts receivable in future years relating to multi-year grants, are reflected as net assets with donor restriction – purpose or time in the accompanying financial statements. At December 31, 2018 and 2017, the purpose restrictions were as follows:

	<u>2018</u>	<u>2017</u>
Paul B. Beeson Career Development Awards in Aging and Research Program	\$ 1,427,266	\$ 1,727,136
Postdoctoral fellowships	3,050,332	4,685,661
National program office	-	43,795
Other grants and scholarships and related program costs	3,134,174	3,920,500
Lecture series	54,221	73,628
Earnings and appreciation on funds held for long-term investment	662,101	1,103,266
Robert and Bette Nielsen Fund (Note 15)	1,166,626	1,224,678
	<u>\$ 9,494,720</u>	<u>\$ 12,778,664</u>

At December 31, 2018, AFAR was holding approximately \$1,712,367 of cash that was part of net assets with donor restriction – purpose or time. This cash is shown as part of cash and cash equivalents and investments.

During 2018 and 2017, net assets with donor restriction were released from restrictions in fulfillment of the following purposes:

	<u>2018</u>	<u>2017</u>
Paul B. Beeson Career Development Awards in Aging and Research Program	\$ 274,610	\$ 500,318
Postdoctoral fellowships	1,471,648	1,617,041
National program office	-	85,659
Other grants and scholarships and related program costs	1,667,868	1,700,339
Lecture series	11,018	4,143
Supporting services	625,782	617,558
	<u>\$ 4,050,926</u>	<u>\$ 4,525,058</u>

The amounts released from restriction primarily represent revenue recognized in prior years and expended in 2018 and 2017, respectively.

Note 9 - Concentration of Risk

Due to the size of AFAR's programs, AFAR'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, 2018

Note 10 – Net Assets with Donor Restriction – Funds Held for Long-Term Investment

The donors of these assets have restricted that they 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 these net assets at December 31, 2018 and 2017, as well as the purpose for which the income is expendable, were as follows:

		<u>2018</u>	<u>2017</u>
Geroge 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 Bedminister 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	381,029	331,029
AFAR - North Carolina Fund	Student Fund	100,000	100,000
		<u>\$ 4,261,275</u>	<u>\$ 4,211,275</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 2018 and 2017, the Board approved appropriating approximately 4% and 5%, respectively, of funds held for long term investment (original gift plus the accumulated unappropriated earnings).

Note 11 - 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 2018 and 2017 amounted to \$100,313 and \$95,521, respectively.

AMERICAN FEDERATION OF AGING RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 12 - Commitments

AFAR leases for office space at 55 West 39th Street, New York City under a lease expiring January 21, 2022. Rent expense totaled \$257,516 for 2018 and \$251,040 for 2017.

The minimum lease commitment under this lease at December 31, 2018 is as follows:

2019	\$ 234,521
2020	240,384
2021	246,393
2022	<u>20,575</u>
	<u>\$ 741,873</u>

Note 13 - Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements consists of the following:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 132,058	\$ 132,058
Leasehold improvements	<u>7,263</u>	<u>7,263</u>
	139,321	139,321
Less accumulated depreciation	<u>(136,853)</u>	<u>(131,790)</u>
	<u>\$ 2,468</u>	<u>\$ 7,531</u>

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NOTES TO FINANCIAL STATEMENTS

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Note 14 - Investment Income - Net

Investment Income is comprised of the following items:

	<u>2018</u>	<u>2017</u>
Operating		
Earnings on cash and temporary investment	\$ 72,346	\$ 38,039
Realized gains	2,477	-
Change in unrealized appreciation on investments	3,251	(5,756)
Investment fees	(2,246)	(1,818)
	<u>75,828</u>	<u>30,465</u>
Endowment		
Interest and dividends	633,844	113,745
Realized gains	289,766	816,094
Change in unrealized appreciation on investments	(1,371,675)	756,713
Investment fees	(45,448)	(32,009)
	<u>(493,513)</u>	<u>1,654,543</u>
	<u>\$ (417,685)</u>	<u>\$ 1,685,008</u>

Note 15 - 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 \$1,166,626 based on a trust value of \$1,393,378 as of December 31, 2018 and using a discount rate of 5.5%. This represents a decrease of \$58,052 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.

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, 2018 through June 19, 2019, which was the date the financial statements were available to be issued. AFAR did not have any material recognizable subsequent events during this period.

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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

AFAR held a Gala Dinner on November 6, 2018. The dinner generated \$154,308 which is net of \$58,392 of expenses. 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.

Note 19 - Government Grants

During 2018, AFAR was included in a new government grant from the National Institute on Aging to assist in the creation of the Research Centers Collaborative Network (RCCN). As a sub-awardee on this grant AFAR will receive \$798,684 for services performed during the period April 1, 2018 through March 31, 2021. The objective of the RCCN Project is to bring together thought leaders from each of the six NIA center programs that will uncover synergies and insights that lead to novel collaborations to address the biologic and societal problems of an aging society.

Also in 2018, AFAR was awarded a one-time supplemental grant in the amount of \$238,940 from the National Institute on Aging to hold a series of International Geroscience Conferences in 2019. This grant covers personnel and travel expenses.

In 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 direction. 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.

The second grant, awarded in 2017, will provide \$50,000 per year for five years in support of AFAR's annual Beeson Conference.

A summary of the income recorded from these grants is:

	<u>2018</u>	<u>2017</u>
Nathan Shock Centers Coordinating Center	\$ 448,608	\$ 157,763
Research Centers Collaborative Network	190,914	-
International Geroscience Conferences	16,110	-
Beeson Conference	50,000	50,000
	<u>\$ 705,632</u>	<u>\$ 207,763</u>

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Note 20 - Liquidity and Availability of Financial Assets

AFAR's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position were as follows:

Financial Assets:	
Cash and cash equivalents	\$ 3,138,557
Investments	12,475,058
Interest receivable	10,541
Contributions receivable - current	<u>3,182,244</u>
	18,806,400
Less:	
Purpose restricted	(8,542,227)
Funds held for long-term investment	(4,261,275)
Board designated for long-term investment	(2,550,979)
Reserve fund	<u>(2,392,461)</u>
	(17,746,942)
	1,059,458
Add: 2019 Endowment spending	<u>305,426</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 1,364,884</u></u>

AFAR monitors its cash need regularly and receives grants and contributions throughout the year. In addition, the Board has a spending policy which annually appropriates 4 – 7% of its endowment's average fair market value of the preceding 12 months in accordance with donor wishes. Also, AFAR maintains a Reserve Fund that holds highly liquid assets to assist AFAR in the event of an economic downturn.