

**American Federation for
Aging Research, Inc.**

Financial Statements
December 31, 2023

Independent Auditors' Report

Board of Directors
American Federation for Aging Research, Inc.

Opinion

We have audited the accompanying financial statements of American Federation for Aging Research, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Organization as of December 31, 2022 were audited by other auditors whose report dated June 16, 2023 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

PKF O'Connor Davies, LLP

July 11, 2024

American Federation for Aging Research, Inc.

Statements of Financial Position

	December 31	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 5,397,099	\$ 2,447,764
Operating investments	3,653,525	4,566,657
Contributions and grant receivable, net	22,196,150	13,371,824
Prepaid expenses, deposits and other assets	112,025	100,353
Property and equipment, net	15,779	22,987
Operating lease right of use asset, net	396,923	584,151
Endowment investments	13,420,595	11,357,345
Beneficial interest in charitable remainder trust	1,429,896	1,367,853
Total Assets	\$ 46,621,992	\$ 33,818,934
 LIABILITIES AND ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 408,001	\$ 304,939
Research grants and scholarships payable, net	15,114,525	9,777,327
Operating lease liability	403,034	586,567
Total Liabilities	15,925,560	10,668,833
 Net Assets		
Without Donor Restrictions:		
Undesignated (operating)	1,215,333	327,686
Board-designated (endowment for long term investment)	3,430,280	2,872,990
Reserve fund	3,429,327	3,003,284
	8,074,940	6,203,960
 With Donor Restrictions:		
Purpose or time restricted	18,210,217	12,534,866
Perpetual in nature	4,411,275	4,411,275
	22,621,492	16,946,141
Total Net Assets	30,696,432	23,150,101
Total Liabilities and Net Assets	\$ 46,621,992	\$ 33,818,934

See notes to financial statements

American Federation for Aging Research, Inc.

Statements of Activities

	Year Ended December 31					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES						
Contributions	\$ 1,268,529	\$ 19,521,865	\$ 20,790,394	\$ 915,914	\$ 12,845,265	\$ 13,761,179
Government grants	1,341,817	-	1,341,817	953,212	-	953,212
Changes in beneficial interest in charitable remainder trust	-	62,043	62,043	-	(428,958)	(428,958)
Investment return	1,123,016	1,263,149	2,386,165	(1,126,972)	(1,222,092)	(2,349,064)
Net assets released from restrictions	15,171,706	(15,171,706)	-	14,109,691	(14,109,691)	-
Total Support and Revenues	<u>18,905,068</u>	<u>5,675,351</u>	<u>24,580,419</u>	<u>14,851,845</u>	<u>(2,915,476)</u>	<u>11,936,369</u>
EXPENSES						
Program services - scientific program	16,136,542	-	16,136,542	14,917,815	-	14,917,815
Supporting services:						
Management and general	698,037	-	698,037	619,946	-	619,946
Fundraising	199,509	-	199,509	358,020	-	358,020
	<u>897,546</u>	<u>-</u>	<u>897,546</u>	<u>977,966</u>	<u>-</u>	<u>977,966</u>
Total Expenses	<u>17,034,088</u>	<u>-</u>	<u>17,034,088</u>	<u>15,895,781</u>	<u>-</u>	<u>15,895,781</u>
Changes in Net Assets	1,870,980	5,675,351	7,546,331	(1,043,936)	(2,915,476)	(3,959,412)
NET ASSETS						
Beginning of year	6,203,960	16,946,141	23,150,101	7,247,896	19,861,617	27,109,513
End of year	<u>\$ 8,074,940</u>	<u>\$ 22,621,492</u>	<u>\$ 30,696,432</u>	<u>\$ 6,203,960</u>	<u>\$ 16,946,141</u>	<u>\$ 23,150,101</u>

See notes to financial statements

American Federation for Aging Research, Inc.

Statements of Functional Expenses

	Year Ended December 31							
	2023				2022			
	Program Services - Scientific Program	Management and General	Fundraising	Total Expenses	Program Services - Scientific Programs	Management and General	Fundraising	Total Expenses
Research grants and scholarships, net of grant discounts	\$ 12,745,481	\$ -	\$ -	\$ 12,745,481	\$ 12,034,312	\$ -	\$ -	\$ 12,034,312
SALARIES AND RELATED EXPENSES								
Salaries and wages	1,169,649	387,171	109,606	1,666,426	1,201,177	358,943	244,987	1,805,107
Payroll taxes and fringe benefits	325,935	107,737	30,500	464,172	306,606	92,477	45,631	444,714
Total Salaries and Related Expenses	<u>1,495,584</u>	<u>494,908</u>	<u>140,106</u>	<u>2,130,598</u>	<u>1,507,783</u>	<u>451,420</u>	<u>290,618</u>	<u>2,249,821</u>
OTHER EXPENSES				-				
Occupancy	154,220	51,989	14,718	220,927	144,413	43,254	27,846	215,513
Scientific advisors and other consultants	673,796	-	25,825	699,621	551,182	4,637	13,398	569,217
Office and technology	65,766	44,488	18,338	128,592	69,841	28,016	21,682	119,539
Public relations and communications	393,261	-	-	393,261	17,405	-	-	17,405
Conferences and meetings	459,640	19,702	522	479,864	493,750	12,614	4,476	510,840
Other program costs	148,794	-	-	148,794	77,601	-	-	77,601
Insurance	-	11,674	-	11,674	-	12,265	-	12,265
Professional fees	-	68,068	-	68,068	21,528	60,532	-	82,060
Depreciation and amortization	-	7,208	-	7,208	-	7,208	-	7,208
Total Other Expenses	<u>1,895,477</u>	<u>203,129</u>	<u>59,403</u>	<u>2,158,009</u>	<u>1,375,720</u>	<u>168,526</u>	<u>67,402</u>	<u>1,611,648</u>
Total Expenses	<u>\$ 16,136,542</u>	<u>\$ 698,037</u>	<u>\$ 199,509</u>	<u>\$ 17,034,088</u>	<u>\$ 14,917,815</u>	<u>\$ 619,946</u>	<u>\$ 358,020</u>	<u>\$ 15,895,781</u>

See notes to financial statements

American Federation for Aging Research, Inc.

Statements of Cash Flows

	Year Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,546,331	\$ (3,959,412)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	7,208	7,208
Amortization of operating lease right of use asset	187,228	185,188
Realized gain on operating investments	-	(23)
Unrealized (gain) loss on operating investments	(80,670)	33,500
Change in discount on contributions receivable	597,760	529,269
Change in discount on research grants and scholarships payable	(348,562)	(124,341)
Donated securities	-	(8,604)
Realized gain on endowment investments	(8,190)	-
Unrealized (gain) loss on endowment investments	(1,638,762)	2,336,437
Change in beneficial interest in charitable remainder trust	(62,043)	428,958
Changes in operating assets and liabilities:		
Contributions and grant receivable	(9,422,086)	(7,250,023)
Prepaid expenses, deposits and other assets	(11,672)	11,270
Accounts payable and accrued expenses	103,062	94,499
Research grants and scholarships payable	5,685,760	7,206,821
Operating lease liability	(183,533)	(182,772)
Net Cash Flows From Operating Activities	2,371,831	(692,025)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of operating investments	(2,169,477)	(6,333,823)
Proceeds from sales of operating investments	3,163,279	3,211,873
Purchase of property and equipment	-	(12,254)
Purchases of endowment investments	(524,961)	(50,000)
Proceeds from sales of endowment investments	108,663	25,407
Net Cash Flows From Investing Activities	577,504	(3,158,797)
 Net Change in Cash and Cash Equivalents	2,949,335	(3,850,822)
CASH AND CASH EQUIVALENTS		
Beginning of year	2,447,764	6,298,586
End of year	\$ 5,397,099	\$ 2,447,764
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Donated securities	\$ -	\$ 8,604
Asset recognized through operating leases	\$ -	\$ 769,339

See notes to financial statements

American Federation for Aging Research, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

1. Nature of Organization and Tax Status

American Federation for Aging Research, Inc. (the “Organization”) is a not-for-profit corporation organized under the not-for-profit laws of New York State in 1981 in response to the growing need for research and treatment of aging and age-related disease. The Organization’s grants and fellowships allow young scientists and physicians to consider aging research and the care of elderly as a career. The Organization also supports conferences related to the research of aging and age-related disease.

The Organization is classified as a 501(c)(3) organization, which is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code and a similar provision of the New York State income tax laws. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

2. Significant Accounting Policies

Basis of Presentation and Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Net Assets

Net assets are categorized as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the “Board”) and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion. Board-Designated net assets represent 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. At December 31, 2023 and 2022, the Organization had Board designated funds of approximately \$3,400,000 and \$2,900,000. In addition, the Board designed a Reserve Fund to hold liquid contingency funds. These funds are set aside to assist the Organization in maintaining supporting services during times of needs. At December 31, 2023 and 2022, the Organization had Reserve funds of approximately \$3,400,000 and \$3,000,000.

Net Assets With Donor Restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor imposed time and/or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

American Federation for Aging Research, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

2. Significant Accounting Policies *(continued)*

Net Assets (continued)

Net Assets With Donor Restrictions (continued)

From time to time, the Organization may receive gifts of assets with donor restriction that contain a stipulation that assets provided be maintained temporarily (temporary in nature) or permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents, except those that related to the endowments, which are held for or restricted by donors for long-term purposes.

Fair Value Measurement

The Organization follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the 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.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity or each investment's underlying assets and liabilities.

Investment Valuation and Income Recognition

Investments are carried at fair value in the statements of financial position. Interest and dividend income, as well as realized gains or losses and unrealized appreciation or depreciation in investment value, are recognized as with or without donor restrictions, in accordance with donor intent in the statements of activities. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

American Federation for Aging Research, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

2. Significant Accounting Policies (*continued*)

Receivables

Grant receivable are uncollateralized obligations of federal agencies. These receivables are stated at amounts billed and do not accrue interest.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue on the statements of activities. Conditional contributions are not included as support until the conditions are substantially met. At December 31, 2023 and 2022, no allowance was deemed necessary.

As of December 31, 2023 and 2022, the Organization's contributions and grant receivable represents balances relating to contributions and a grant and are reported at their estimated realizable values. Those receivables totaled approximately \$22,196,000 and \$13,372,000 as of December 31, 2023 and 2022.

Property, Plant and Equipment

Property and equipment are stated at cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major improvements in excess of \$5,000 are capitalized. Repairs and maintenance costs are expensed as incurred while major renewals and betterments are capitalized. When assets are disposed of, the assets and related depreciation/amortization are eliminated from the accounts and any resulting gain or loss is reflected in operations. Estimated useful lives are as follows:

	<u>Years</u>
Furniture and equipment	5 Years
Software	5 Years

Impairment of Long-Lived Assets

U.S. GAAP guidance, Accounting for the Impairment or Disposal of Long-lived Assets requires long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, impairment would then be measured as the difference between the fair value of the asset and its carrying value to determine the amount of the impairment. The Organization generally determines fair value by using the undiscounted cash flow method. There were no impairment charges required to be recognized for the years ended December 31, 2023 and 2022.

American Federation for Aging Research, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

2. Significant Accounting Policies *(continued)*

Beneficial Interest in Charitable Remainder Trust

The Organization has been named as an irrevocable beneficiary of a charitable remainder trust (“CRT”) held and administered by an independent trustee designated by the donor. Therefore, the Organization has neither possession nor control over the assets of the CRT. The CRT will pay 5% of the trust’s value on January 1 each year to the grantor’s wife for the remainder of her life. Upon her death, the Organization will receive the remaining principal to create a fund that can be used to support the general uses and purposes of the Organization. At the date the Organization receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statements of activities, and a beneficial interest in a charitable remainder trust is recorded in the statements of financial position at the present value, which approximates the fair value, of the underlying trust assets, using a discount rate of 5.01% and 5.22% at December 31, 2023 and 2022, respectively, and the applicable mortality table. Beneficial interest in charitable remainder trust held by a third party is recorded at the Organization’s share of the fair value of the underlying assets. The CRT is valued using Level 3 inputs in the fair value hierarchy.

Lease Accounting

The Organization leases office space and equipment and determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (“ROU”) assets operating lease obligations on the accompanying statements of financial position. Finance leases are included in ROU assets, finance lease obligations on the accompanying statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. For leases that do not provide an implicit borrowing rate, the Organization uses their incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The lease terms may include options to extend the lease and when it is reasonably certain that the Organization will exercise that option, such amounts are included in the ROU assets and lease liabilities. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

A right-of-use asset and lease liability are not recognized for leases with an initial term on 12 months or less, and the Organization recognizes lease expense for such leases over the lease term in the statements of activities.

American Federation for Aging Research, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

2. Significant Accounting Policies *(continued)*

Revenue Recognition

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional and are reported at fair value at the date the contribution is received. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give are recorded at net realizable value. All unconditional promises, whether with or without restriction, are recognized and accrued as contribution revenue in the period the unconditional promise was received.

Conditional promises to give (contributions with a measurable performance or other barrier and a right of return) are not recognized until the conditions on which they depend have been met.

Government Contracts

A portion of the Organization's governmental contract revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses.

Amounts are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions in accordance with Accounting Standards Codification (ASC) 958-605-15-2A. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. No amounts have been received in advance as of December 31, 2023 and 2022.

American Federation for Aging Research, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

2. Significant Accounting Policies (*continued*)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated on the basis of salaries and the level of effort as determined by management. Management and general expenses include costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization such as insurance, professional fees, and depreciation and amortization. The basis on which costs are allocated is evaluated annually.

Research Grants and Scholarships

Research grants and scholarships consist primarily of agreements of one year or less awarded to affiliates and other unrelated parties. Grants are reported as an expense and a liability in the period made, or if conditional, when the Organization deems that the terms and conditions of the agreements have been substantially met. Grants to be paid after one year are discounted at an appropriate rate commensurate with the risk involved. Amortization of the discount is recorded as additional grant expense.

Marketing

The Organization uses marketing to promote its programs among the population it is researching. Marketing costs are expensed as incurred. Marketing expense for the years ended December 31, 2023 and 2022 were approximately \$147,000 and \$5,000.

Accounting for Uncertainties in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization has no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2020.

Subsequent Events

Management has evaluated subsequent events through July 11, 2024, the date the financial statements are available to be issued, for inclusion or disclosure in the financial statements.

American Federation for Aging Research, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

3. Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments and receivables. The Organization places its cash and investments with various financial institutions.

At times throughout the year, the Organization maintains cash balances which exceed the limits insured by the Federal Deposit Insurance Corporation ("FDIC"). At December 31, 2023 and 2022, approximately \$4,879,000 and \$1,948,000 of cash was maintained with an institution in excess of FDIC limits.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment, investment advisor, investment manager or group of investments represents a significant concentration of credit risk. The investments are protected by the Securities Insurance Protection Corporation ("SIPC"), which provides limited insurance in certain circumstances for securities and cash held in brokerage accounts. The insurance is limited to \$500,000 for securities and \$250,000 for cash balances. The insurance does not protect against investment losses. At times, such balances may be in excess of SIPC insured limits.

As of and for the year ended December 31, 2023 approximately 79% and 94% of the Organization's total support and revenue and receivables were provided by two sources. As of the year ended December 31, 2022, approximately 96% and 87% of the Organization's total support and revenues and receivables were provided by three and two sources.

4. Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31:

	2023			Total
	Level 1	Level 2	Level 3	
Operating Investments				
Common stocks	\$ 5,237	\$ -	\$ -	\$ 5,237
U.S. treasury securities	3,648,288	-	-	3,648,288
	<u>\$ 3,653,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,653,525</u>
Endowment Investments				
Common stocks	\$ 248,021	\$ -	\$ -	\$ 248,021
Mutual Funds	10,482,163	-	-	10,482,163
U.S. treasury securities	1,486,136	-	-	1,486,136
	<u>\$ 12,216,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>12,216,320</u>
Cash				<u>1,204,275</u>
				<u>\$ 13,420,595</u>

American Federation for Aging Research, Inc.

Notes to Financial Statements December 31, 2023 and 2022

4. Investments (continued)

	2022			Total
	Level 1	Level 2	Level 3	
Operating Investments				
Common stocks	\$ 1,677	\$ -	\$ -	\$ 1,677
U.S. treasury securities	4,564,980	-	-	4,564,980
	<u>\$ 4,566,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,566,657</u>
Endowment Investments				
Common stocks	\$ 408,309	\$ -	\$ -	\$ 408,309
Mutual Funds	8,426,815	-	-	8,426,815
U.S. treasury securities	1,697,723	-	-	1,697,723
	<u>\$ 10,532,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>10,532,847</u>
Cash				<u>824,498</u>
				<u>\$ 11,357,345</u>

Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)

Beneficial Interest in Charitable

December 31

	2023	2022
Beginning of year	\$ 1,367,853	\$ 1,796,811
Change in value	62,043	(428,958)
End of year	<u>\$ 1,429,896</u>	<u>\$ 1,367,853</u>

Transfers Between Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in the economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended December 31, 2023 and 2022, there were no significant transfers in or out of Levels 1, 2, or 3.

American Federation for Aging Research, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

5. Contributions and Grants Receivable

Contributions and grants receivable have been discounted over the payment period using a discount rate of 5.22% for 2023 and 2022, and are due as follows:

	December 31	
	2023	2022
Less than one year	\$ 9,530,678	\$ 6,047,282
One to five years	13,852,690	7,914,000
	23,383,368	13,961,282
Less: discount to present value	(1,187,218)	(589,458)
	\$ 22,196,150	\$ 13,371,824

6. Property and Equipment

Property and equipment consist of the following as of December 31:

	2023	2022
Furniture and equipment	\$ 27,375	\$ 30,125
Software	8,665	8,665
	36,040	38,790
Less: accumulated depreciation and amortization	(20,261)	(15,803)
	\$ 15,779	\$ 22,987

For the year ended December 31, 2023 disposals amounted to \$2,750 with accumulated depreciation of \$2,750. There was no disposals in the year ended December 31, 2022.

7. Research and Grant Scholarships payable

At December 31, 2023 and 2022, research grants and scholarships payable totaled \$15,640,444 (discounted to \$15,114,525) and \$9,954,684 (discounted to \$9,777,327), respectively.

As of December 31, 2023, the Organization's research grants and scholarships payable consist of unconditional promises to give and are expected to be paid as follows:

Year Ending December 31	
2024	\$ 7,415,444
2025	5,725,000
2026	2,500,000
	15,640,444
Less amount to reduce present value	(525,919)
	\$ 15,114,525

Research grants and scholarships payable as of December 31, 2023 were discounted over the payment period using a discount rate of 5.22%.

American Federation for Aging Research, Inc.

Notes to Financial Statements
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8. Endowment Funds

The Organization has approximately ten different funds established by donors to provide annual funding for specific activities and general supporting services. The endowment also includes certain net assets without donor restrictions that have been designated by the Board of Directors.

Interpretation of Relevant Law

The Board of Directors has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as perpetually restricted net assets (a) the original value of gifts donated to the perpetual endowment, (b) original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetually restricted net assets is classified as purpose restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund;
- (2) The purposes of the institution and the endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation or deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the institution;
- (7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution;
- (8) and the investment policy of the institution.

Investment Objectives

The Organization has adopted an investment policy that primarily emphasizes the preservation of the capital and secondarily maximizes the total return. Investment returns are expected to provide adequate funds to sufficiently support designated needs and preserve or enhance the real value of the Organization. In establishing the investment objectives of the Organization, the finance committee of the Board has taken into account the time horizon available for investment, the nature of the Organization's cash flows and liabilities, and other factors that affect the Organization's risk tolerance.

American Federation for Aging Research, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

8. Endowment Funds *(continued)*

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, the Organization will ensure appropriate diversification to marketable equity securities. The target investment allocation is 75% equities and 25% fixed income securities. There shall be no Securities and Exchange Commission unregistered securities, private placement, venture capital, or direct investments in real or personal property.

Spending Policy

The Organization adopted a spending policy of appropriating 4–7% of the average fair market value of the preceding 12 months. From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted NYPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2023 and 2022, there were no underwater endowments.

The change in endowment was:

	December 31, 2023				
	Without Donor Restrictions			With Donor	Total
	Reserve Fund	Board-Designated	Other	Restrictions	
Endowment net assets, beginning of year	\$ 2,292,639	\$ 2,872,990	\$ 108,663	\$ 6,083,052	\$ 11,357,344
Contributions/satisfaction	-	-	4,372	-	4,372
Investment return	426,044	587,767	-	1,158,103	2,171,914
Transfer	-	-	(108,663)	-	(108,663)
Appropriation for expenditure	-	(30,477)	87,000	(60,897)	(4,374)
Endowment net assets, end of year	<u>\$ 2,718,683</u>	<u>\$ 3,430,280</u>	<u>\$ 91,372</u>	<u>\$ 7,180,258</u>	<u>\$ 13,420,593</u>
	December 31, 2022				
	Without Donor Restrictions			With Donor	Total
	Reserve Fund	Board-Designated	Other	Restrictions	
Endowment net assets, beginning of year	\$ 2,754,840	\$ 3,543,533	\$ -	\$ 7,370,815	\$ 13,669,188
Contributions/satisfaction	-	-	-	50,000	50,000
Investment return	(462,201)	(652,144)	-	(1,222,092)	(2,336,437)
Transfer	-	-	108,663	-	108,663
Appropriation for expenditure	-	(18,399)	-	(115,671)	(134,070)
Endowment net assets, end of year	<u>\$ 2,292,639</u>	<u>\$ 2,872,990</u>	<u>\$ 108,663</u>	<u>\$ 6,083,052</u>	<u>\$ 11,357,344</u>

American Federation for Aging Research, Inc.

Notes to Financial Statements
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9. Net Assets with Donor Restrictions

Net assets with donor restrictions represent contributions received and income related to the following:

	2023	2022
Subject to specified purpose:		
Research grants and scholarship	\$ 13,104,299	\$ 8,330,804
Conferences	621,139	826,682
Other	285,900	337,750
	14,011,338	9,495,236
Subject to the passage of time:		
Beneficial interest in charitable remainder trust	1,429,896	1,367,853
	1,429,896	1,367,853
 Endowments		
Subject to appropriation and expenditure when a specified event occurs:		
Available for general supporting services	2,112,649	1,267,614
Research grants	482,747	281,493
Conferences	126,016	94,696
Scholarship fund	47,571	27,974
	2,768,983	1,671,777
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
Supporting services	3,078,250	3,078,250
Research grants	1,056,029	1,056,029
Conferences	176,996	176,996
Scholarship fund	100,000	100,000
	4,411,275	4,411,275
Endowment subtotal	7,180,258	6,083,052
Total	\$ 22,621,492	\$ 16,946,141

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Notes to Financial Statements
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10. Leases

The Organization's right-of-use assets pertaining to operating leases represent the right to use the agreement's underlying assets for the lease term, and the corresponding lease liabilities represent the obligation to make lease payments arising from the lease. Such right-of-use assets and lease liabilities are recognized at the lease's commencement date at the present value of lease payments over the lease term for leases with initial terms greater than a year. The present value of lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which this rate is not readily available, the Organization has elected to use a discount rate comparable to the Organization's incremental borrowing rate for financing over a comparable period.

A right-of-use asset and lease liability are not recognized for leases with an initial term of 12 months or less, and the Organization recognizes lease expense for such leases over the lease term in the consolidated statements of activities.

The Organization leases its main office under a non-cancelable operating lease expiring in 2026. The lease is payable in monthly installments. The right-of-use asset totaled \$769,339 and accumulated amortization totaled \$372,416 for a total of \$396,923 at December 31, 2023. The right-of-use asset totaled \$769,339 and accumulated amortization totaled \$185,188 for a total of \$584,151 at December 31, 2022.

The Organization's lease liability is as follows at December 31:

	2023	2022
Gross undiscounted lease liability	\$ 407,633	\$ 596,670
Less: Imputed interest	(4,599)	(10,103)
Present value of lease liability	\$ 403,034	\$ 586,567

Other information related to leases and supplemental cash flow data are as of follows for the years ended December 31:

	2023	2022
Operating cash flows paid for operating lease	\$ 189,037	\$ 192,731
Right-of-use leased assets obtained in exchange for new operating lease obligations	\$ -	\$ 769,339
Weighted-average remaining lease term on operating lease	2.09 years	3.09 years
Weighted-average discount rate on operating lease	1.13%	1.13%

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Notes to Financial Statements
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10. Leases (continued)

The following summarizes the Organization's undiscounted principal commitments of the lease liability discussed above:

2024	\$ 193,350
2025	197,771
2026	<u>16,512</u>
Total	407,633
Less amount representing interest	<u>(4,599)</u>
Total Lease Liability	<u>\$ 403,034</u>

11. Retirement Expenses

- (a) In 1993, the Organization adopted a defined contribution 403(b) plan covering all employees who fulfill the minimum age and service requirements. The Organization contributes 10% of eligible employees' compensation subject to Internal Revenue Service limitations. Any amounts that are limited are paid as additional salary. Retirement expense for 2023 and 2022 amounted to approximately \$134,000 and \$122,000, and are reflected within the payroll taxes and fringe benefits on the statements of functional expenses.
- (b) In 2021, the Organization established a supplemental defined contribution 457(b) plan covering only the top-hat employees, directors or higher, into which contributions exceeding 403(b) limits will be contributed on a tax deferred basis, subject to Internal Revenue Service limitations. There are no eligibility requirements to participate. Retirement expense for 2023 and 2022 amounted to \$9,500 and \$9,000, and are included within the payroll taxes and fringe benefits on the statements of functional expenses.

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Notes to Financial Statements
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12. Liquidity and Availability of Financial Resources

Financial assets available for general expense, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of December 31:

	<u>2023</u>	<u>2022</u>
Available financial assets at year-end:		
Cash and equivalents	\$ 5,397,099	\$ 2,447,764
Operating investments	3,653,525	4,566,657
Contributions and grant receivable (Note 5)	<u>9,530,678</u>	<u>6,047,282</u>
Total Available Financial Assets at Year-end	18,581,302	13,061,703
Less: Amounts not available for general expenses:		
Reserve fund (cash)	(710,645)	(710,645)
Purpose-restricted net assets (Note 9)	<u>(14,011,338)</u>	<u>(9,495,236)</u>
Total Available Financial Assets at Year-end	<u>\$ 3,859,319</u>	<u>\$ 2,855,822</u>

Liquidity Management

In addition to financial assets available to meet general expenses over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenses. If the need arises, the Organization can appropriate funds from its Reserve Fund and Board Designated endowment (see Note 8).

Management regularly monitors the availability of resources required to meet its operating needs. As part of management's liquidity plan, it has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. For purposes of analyzing resources available to meet general expenses over a 12-month period, management considers all expenses related to its ongoing activities.

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