AMERICAN FEDERATION FOR AGING RESEARCH, INC.

FINANCIAL REPORTS
DECEMBER 31, 2020 AND 2019

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

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WISS
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
American Federation for Aging Research, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of American Federation for Aging Research, Inc., ("AFAR") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risks 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AFAR as of December 31, 2020 and 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.

Prior Period Financial Statements

The financial statements of AFAR, as of and for the year ended December 31, 2019, were audited by other auditors whose report, dated September 1, 2020, expressed an unmodified opinion on those statements. We were not engaged to audit, review, or apply any procedures to AFAR's 2019 financial statements and, accordingly, we do not express an opinion or any other form of assurance on the 2019 financial statements as a whole.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented on page 22 for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2021 on our consideration of AFAR's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AFAR's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AFAR's internal control over financial reporting and compliance.

Wiss & Company

WISS & COMPANY, LLP

Florham Park, New Jersey
July 21, 2021

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31, 2020	December 31, 2019
ASSETS		
Cash and equivalents	$ 4,589,701	$ 1,948,083
Operating investments	980,652	2,735,835
Contributions and grants receivable, net	2,043,772	1,744,438
Prepaid expenses, deposits and other assets	157,419	125,844
Property and equipment, net	6,514	8,797
Endowment investments	12,588,672	11,147,577
Beneficial interest in charitable remainder trust	1,595,543	1,424,838
Total Assets	$ 21,962,273	$ 19,135,412
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 126,061	$ 280,308
Research grants and scholarships payable, net	1,796,671	1,756,831
Total Liabilities	1,922,732	2,037,139
NET ASSETS:		
Without donor restrictions:		
Undesignated (operating)	241,056	94,354
Board-designated (endowment for long term investment)	3,302,397	3,053,652
Reserve fund	3,051,187	2,696,149
	6,594,640	5,844,155
With donor restrictions:		
Purpose or time restricted	9,133,626	6,942,843
Perpetual in nature	4,311,275	4,311,275
	13,444,901	11,254,118
Total Net Assets	20,039,541	17,098,273
Total Liabilities and Net Assets	$ 21,962,273	$ 19,135,412

See accompanying notes to financial statements.

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES:						
Contributions	$ 891,048	$ 3,708,249	$ 4,599,297	$ 841,383	$ 792,653	$ 1,634,036
Government grants	983,235	-	983,235	736,695	-	736,695
Changes in beneficial interest in charitable remainder trust	-	170,705	170,705	-	258,212	258,212
Investment return, net	928,606	887,442	1,816,048	971,799	1,009,822	1,981,621
Gala dinner, net	-	-	-	65,954	-	65,954
Other	3,500	16,667	20,167	-	16,667	16,667
Net assets released from restrictions	2,592,280	(2,592,280)	-	4,579,231	(4,579,231)	-
Total Support and Revenues	5,398,669	2,190,783	7,589,452	7,195,062	(2,501,877)	4,693,185
EXPENSES:						
Program services	3,853,396	-	3,853,396	5,745,151	-	5,745,151
Supporting services:						
Management and general	476,167	-	476,167	597,160	-	597,160
Fundraising	318,621	-	318,621	500,145	-	500,145
	794,788	-	794,788	1,097,305	-	1,097,305
Total Expenses	4,648,184	-	4,648,184	6,842,456	-	6,842,456
CHANGE IN NET ASSETS	750,485	2,190,783	2,941,268	352,606	(2,501,877)	(2,149,271)
NET ASSETS, BEGINNING OF YEAR	5,844,155	11,254,118	17,098,273	5,491,549	13,755,995	19,247,544
NET ASSETS, END OF YEAR	$ 6,594,640	$ 13,444,901	$ 20,039,541	$ 5,844,155	$ 11,254,118	$ 17,098,273

See accompanying notes to financial statements.

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended December 31,							
	2020				2019			
	Scientific Programs	Management and General	Fundraising	Total Expenses	Scientific Programs	Management and General	Fundraising	Total Expenses
Research grants and scholarships, net	$ 2,359,677	$ -	$ -	$ 2,359,677	$ 3,894,856	$ -	$ -	$ 3,894,856
SALARIES AND RELATED EXPENSES:								
Salaries and wages	859,984	277,919	135,525	1,273,428	688,560	306,448	223,326	1,218,334
Payroll taxes and fringe benefits	271,366	87,697	42,763	401,826	214,346	95,396	69,522	379,264
Total salaries and related expenses	1,131,350	365,616	178,288	1,675,254	902,906	401,844	292,848	1,597,598
OTHER EXPENSES:								
Occupancy	180,399	62,185	28,892	271,476	159,655	55,878	50,556	266,089
Scientific advisors and other consultants	86,923	-	76,725	163,648	109,747	2,500	114,725	226,972
Office and technology	37,648	32,339	21,600	91,587	53,653	45,227	36,783	135,663
Public relations and communications	37,728	-	995	38,723	62,391	1,054	8,617	72,062
Conferences and meetings	14,226	2,742	12,121	29,089	561,943	18,875	80,362	661,180
Insurance	5,445	10,502	-	15,947	-	11,048	-	11,048
Professional fees	-	500	-	500	-	58,398	-	58,398
Depreciation and amortization	-	2,283	-	2,283	-	2,336	-	2,336
Total other expenses	362,369	110,551	140,333	613,253	947,389	195,316	291,043	1,433,748
Total expenses by function	3,853,396	476,167	318,621	4,648,184	5,745,151	597,160	583,891	6,926,202
Less expenses included with revenues on the Statements of Activities:								
Gala dinner	-	-	-	-	-	-	(83,746)	(83,746)
Total expenses included in the expense section on the Statements of Activities	$ 3,853,396	$ 476,167	$ 318,621	$ 4,648,184	$ 5,745,151	$ 597,160	$ 500,145	$ 6,842,456

See accompanying notes to financial statements.

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 2,941,268	$ (2,149,271)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	2,283	2,336
Realized and unrealized loss (gain) on operating investments	2,123,824	(370,242)
Endowment net investment return	(1,782,265)	(1,893,037)
Change in beneficial interest in charitable remainder trust	(170,705)	(258,212)
Changes in operating assets and liabilities:		
Contributions and grants receivable	(299,334)	2,390,299
Prepaid expenses, deposits and other assets	(31,575)	96,660
Accounts payable and accrued expenses	(154,247)	24,376
Research grants and scholarships payable	39,840	120,357
Net cash flows from operating activities	2,669,089	(2,036,734)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of operating investments	(3,103,824)	(6,023,190)
Proceeds from sales of operating investments	2,735,183	6,622,690
Purchase of property and equipment	-	(8,666)
Addition to endowment	-	(50,000)
Withdrawal from endowment	341,170	305,426
Net cash flows from investing activities	(27,471)	846,260
NET CHANGE IN CASH AND EQUIVALENTS	2,641,618	(1,190,474)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	1,948,083	3,138,557
CASH AND EQUIVALENTS, END OF YEAR	$ 4,589,701	$ 1,948,083

See accompanying notes to financial statements.

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies:

Nature of the Organization – American Federation for Aging Research, Inc. ("AFAR") is a not-for-profit organization 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.

Cash and Equivalents and Credit Risk - Money market funds and all other highly liquid short-term investments purchased with maturities of three months or less that are not related to the endowments, which are held for or restricted by donors for long-term purposes, are considered cash and equivalents.

AFAR maintains its cash balances with financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At times, these balances may exceed the FDIC limits; however, AFAR has not experienced any losses in such accounts and believes it is not exposed to any significant risks with respect to these balances.

Investments and Credit Risk – AFAR records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Investment return is reported in net assets without donor restrictions unless its use is restricted by explicit donor stipulation or by law. Purchases and sales of investments are recorded on a settlement date basis the cost of securities sold is determined using the specific identification method. Investments are reviewed annually for impairment. Management has determined there are no other than temporary losses as of December 31, 2020 and 2019.

Dividends and interest are recognized as earned. Net realized gains or losses and changes in net depreciation in fair value are determined by comparing cost to proceeds and fair market value, respectively. Gains and losses on sales of securities are recorded in the statement of activities and changes in net assets in the period in which the securities are sold.

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.

Contributions and Grants Receivable – 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. In subsequent years, amortization of the discounts is included in contributions revenue in the statements of activities. AFAR determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. At December 31, 2020 and 2019, no allowance was deemed necessary.

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (Continued):

Property 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 $2,000 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 allowances for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in operations. Estimated useful lives are as follows:

Furniture and equipment	5 years
Software	5 years
Leasehold improvements	5 years (or over the remaining lease term or life of the improvement, whichever is shorter)

Beneficial Interest in Charitable Remainder Trust Held by Others - AFAR 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, AFAR 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, AFAR will receive the remaining principal to create a fund that can be used to support the general uses and purposes of AFAR. At the date AFAR receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statements of activities and changes in net assets, and a beneficial interest in a charitable remainder trust is recorded in the statements of financial position at the approximate present value of the fair value of the underlying trust assets, using a discount rate of 3.25% and 4.75% at December 31, 2020 and 2019, respectively and the applicable mortality table.

Long-Lived Assets - AFAR evaluates all long-lived assets for impairment. Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the carrying amount is not fully recoverable, an impairment loss is recognized to reduce the carrying amount to fair value, and is charged to expense in the period of impairment. As of December 31, 2020 and 2019, management has determined that these assets are not impaired.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a Reserve Fund and Board-Designated endowment (see Note 10). 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 needs. 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.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (Continued):

Support and Revenue Recognition - AFAR recognizes revenue following applicable guidance, which is determined by the existence or absence of a reciprocal exchange transaction.

Revenue Accounted for in Accordance with Contribution Accounting (Topic 605):

Contributions - AFAR recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give - that is, those 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 Grants – AFAR receives cost-reimbursable government grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when AFAR incurs expenditures in compliance with specific grant provisions. 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, 2020 and 2019.

Gala Dinner – AFAR's gala dinner revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. Both components are recognized when the event takes place. Any event revenue received in advance of the event is recorded as deferred revenue.

For the year ended December 31, 2020 approximately 50% of AFAR's total support and revenue was provided by two sources. For the year ended December 31, 2019, approximately 15% of AFAR's total support and revenue were provided by one source.

Research Grants and Scholarships Expenses – Research grants and scholarships expenses 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 AFAR 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.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities and changes in net assets. 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 those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization. The basis on which costs are allocated are evaluated annually.

Estimates and Uncertainties - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates 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 revenues and expenses during the reporting period. Actual results, as determined at a later date, could differ from those estimates.

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (Continued):

Income Taxes - AFAR is exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code ("IRC") and has made no provision for Federal or State income taxes in the accompanying financial statements. In addition, AFAR has been determined by the Internal Revenue Service ("IRS") not to be a “private foundation” within the meaning of section 509(a) of the IRC. All significant tax positions have been considered by management and it has been determined that all tax positions would be sustained upon examination by taxing authorities. AFAR is required to file form 990 (Return of Organization Exempt from Income Tax) and the New York CHAR500 (Annual Filing for Charitable Organizations), which are subject to examination by the IRS and the State of New York, respectively, up to three years from the extended due date of the tax return. The forms 990 for 2017 through 2019 are open to examination by the IRS as of December 31, 2020.

Other significant tax positions include its determination of whether any amounts are subject to unrelated business income tax ("UBIT"). Management has determined that AFAR had no activities subject to UBIT in the years ended December 31, 2020 or 2019.

Reclassifications **-** Certain prior period amounts have been reclassified to conform to the current year’s presentation. Such reclassifications did not impact the change in net assets.

Recently Issued Accounting Pronouncements **-** In February 2016, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2016-02, “Leases (Topic 842)”, which replaces the existing guidance in Accounting Standards Codification (“ASC”) 840 - Leases. This ASU requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability. For finance leases, the lessee would recognize interest expense and amortization of the right-of-use asset and for operating leases, the lessee would recognize a straight-line total lease expense. This ASU is effective for fiscal years beginning after December 15, 2021. The requirements of this standard include a significant increase in required disclosures. Management is currently evaluating the impact of this ASU on the financial statements.

In September 2020, the FASB issued ASU 2020-07, “Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)”, which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. Management is currently evaluating the impact of this ASU on the financial statements.

Subsequent Events - Management has reviewed and evaluated all events and transactions from December 31, 2020 through July 21, 2021, the date that the financial statements were available for issuance. The effects of those events and transactions that provide additional pertinent information about conditions that existed at the date of the statement of financial position have been recognized in the accompanying financial statements.

In early 2020, the worldwide coronavirus pandemic that causes COVID-19 spread to the United States and caused significant business disruption in the area in which AFAR operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. AFAR is closely monitoring its investment portfolio and liquidity and is actively working to minimize the impact of these declines. Given the uncertainty related to COVID-19, management cannot reasonably estimate the overall impact on AFAR's financial statements related to these matters.

Note 2 - Liquidity and Availability:

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. 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:

	December 31,	
	2020	2019
Available financial assets at year-end:		
Cash and equivalents	$ 4,589,701	$ 1,948,083
Operating investments	980,652	2,735,835
Contributions and grants receivable (Note 4)	1,620,567	1,438,997
Total available financial assets at year-end	7,190,920	6,122,915
Less: Amounts not available for general expenses:		
Reserve fund (cash)	(710,643)	(710,645)
Purpose-restricted net assets (Note 9)	(5,312,173)	(4,090,027)
Total available financial assets at year-end	$ 1,168,104	$ 1,322,243

In addition to financial assets available to meet general expenses over the next 12 months, AFAR operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenses. If the need arises, AFAR can appropriate funds from its Reserve Fund and Board Designated endowment (see Note 10).

Note 3 - Investments at Fair Value - Recurring:

Fair Value Measurements and Disclosures FASB ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Note 3 - Investments at Fair Value – Recurring (continued):

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

- Certificates of deposit and U.S. Treasury notes: Valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions

- Corporate bonds, Common stocks and Equities: Valued at the closing price reported on the New York Stock Exchange.

- Beneficial interest in charitable remainder trust: The fair values of beneficial interests in charitable remainder trusts are determined by using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although AFAR believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, AFAR's assets at fair value:

	Assets at Fair Value as of December 31, 2020			
	Level 1	*Level 2*	*Level 3*	*Total*
Operating Investments				
Certificates of deposit	$ -	$ 980,652	$ -	$ 980,652
Endowment Investments				
Common stocks	$ 404,223	$ -	$ -	$ 404,223
Mutual Funds	10,303,538	-	-	10,303,538
	$ 10,707,761	$ -	$ -	10,707,761
Cash				1,880,911
				$ 12,588,672
Beneficial interest in charitable remainder trust	$ -	$ -	$ 1,595,543	$ 1,595,543

Note 3 - Investments at Fair Value – Recurring (continued):

	Assets at Fair Value as of December 31, 2019			
	Level 1	*Level 2*	*Level 3*	*Total*
Operating Investments				
Certificates of deposit	$ -	$ 2,695,715	$ -	$ 2,695,715
U.S. Treasury notes	-	40,120	-	40,120
	$ -	$ 2,735,835	$ -	$ 2,735,835
Endowment Investments				
U.S. Treasury notes	$ -	$ 500,607	$ -	$ 500,607
Corporate bonds	-	150,573	-	150,573
Common stocks	450,974	-	-	450,974
Equities	8,481,469	-	-	8,481,469
	$ 8,932,443	$ 651,180	$ -	9,583,623
Cash				1,563,954
				$ 11,147,577
Beneficial interest in charitable remainder trust	$ -	$ -	$ 1,424,838	$ 1,424,838

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)	
	Beneficial Interest in Charitable Remainder Trust	
	December 31,	
	2020	2019
Balance, at beginning of year	$ 1,424,838	$ 1,166,626
Change in value	170,705	258,212
Balance, at end of year	$ 1,595,543	$ 1,424,838

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, 2020 and 2019, there were no significant transfers in or out of Levels 1, 2, or 3.

Note 4 – Contributions and Grants Receivable:

Contributions and grants receivable have been discounted over the payment period using a discount rate of 1.48% and 4.75% for 2020 and 2019, respectively, and are due as follows:

	December 31,	
	2020	2019
Less than one year	$ 1,620,567	$ 1,438,997
One to five years	429,484	324,484
	2,050,051	1,763,481
Less: discount to present value	(6,279)	(19,043)
	$ 2,043,772	$ 1,744,438

Note 5 – Property and Equipment:

Property and equipment consist of the following:

	December 31,	
	2020	2019
Furniture and equipment	$ 2,750	$ 23,923
Software	8,665	116,800
Leasehold improvements	-	7,263
	11,415	147,986
Less: accumulated depreciation and amortization	(4,901)	(139,189)
	$ 6,514	$ 8,797

Note 6 – Research Grants and Scholarships payable:

At December 31, 2020 and 2019, research grants and scholarships payable totaled $1,802,966 (discounted to $1,796,671) and $1,772,695 (discounted to $1,756,831), respectively. As of December 31, 2020, AFAR's research grants and scholarships payable consist of unconditional promises to give and are expected to be paid as follows:

Year Ending December 31,	
2021	$ 1,602,966
2022	200,000
	1,802,966
Less amount to reduce to present value	(6,295)
	$ 1,796,671

Research grants and scholarships payable as of December 31, 2020 were discounted over the payment period using discount rates of 3.25% to 2.21%.

Note 7 - Commitments:

Lease Commitments - In August 2006, AFAR entered into a ten-year lease agreement for an office facility located at 55 West 39th Street, New York City under an operating lease. In August 2016 AFAR extended this lease for an additional five years, expiring January 2022.

Note 7 – Commitments (continued):

The future minimum lease payments are as follows:

Year Ending December 31,		
2021	$	246,393
2022		20,575
	$	266,968

Rent expense totaled $240,400 and $234,521 for the years ended December 31, 2020 and 2019, respectively, and is included with occupancy on the statements of functional expenses.

Contingencies - AFAR receives government grants for its programs. These grants may be subject to financial and compliance audits by the funding agencies. The amount of expenditures, if any, that may be disallowed by the funding agencies cannot be determined at this time. Hence, no provision for such disallowance has been reflected in the financial statements.

Pension Plan – A defined contribution 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 2020 and 2019 amounted to $106,505 and $95,342, respectively and is included with payroll taxes and fringe benefits on the statements of functional expenses.

Note 8 - Net Assets Released from Restrictions:

Net assets released from restrictions were as follows:

	Year Ended December 31,	
	2020	2019
Satisfaction of purpose restrictions:		
Research grants and scholarships	$ 2,391,143	$ 4,273,049
Conferences and meetings	111,627	7,588
	2,502,770	4,280,637
Restricted-purpose spending-rate distributions and appropriations:		
Research grants and scholarships	33,143	63,778
Conferences and meetings	4,580	7,080
Scholarship fund	2,608	4,000
General Operating	49,179	223,736
	89,510	298,594
	$ 2,592,280	$ 4,579,231

Note 9 - Net Assets with Donor Restrictions:

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

	December 31, 2020	December 31, 2019
Subject to specified purpose:		
Research grants and scholarships	$ 3,793,395	$ 2,761,001
Conferences and meetings	1,213,742	1,323,990
Other	305,036	5,036
	5,312,173	4,090,027
Subject to the passage of time:		
Beneficial interest in charitable remainder trust	1,595,543	1,424,838
Endowments (see Note 10):		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
Available for general supporting services	1,721,330	1,071,080
Research grants	354,298	240,472
Conferences	106,311	84,664
Scholarship fund	43,971	31,762
	2,225,910	1,427,978
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
Supporting services	3,078,250	3,078,250
Research grants	956,029	956,029
Conferences	176,996	176,996
Student fund	100,000	100,000
	4,311,275	4,311,275
Endowment subtotal	6,537,185	5,739,253
	$ 13,444,901	$ 11,254,118

Note 10 - Endowment Funds:

AFAR 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.

Note 10 - Endowment Funds (continued):

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, AFAR classifies as perpetually restricted net assets (a) the original value of gifts donated to the perpetual endowment, (b) original gift 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 AFAR in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, AFAR 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

AFAR 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 AFAR. In establishing the investment objectives of AFAR, the finance committee of the Board has taken into account the time horizon available for investment, the nature of AFAR's cash flows and liabilities, and other factors that affect AFAR's risk tolerance.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, AFAR 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

AFAR adopted a spending policy of appropriating 4–7% if 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). AFAR has interpreted NYPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2020 and 2019, there were no underwater endowments.

Note 10 - Endowment Funds (continued):

Changes in Endowment Net Assets

	December 31, 2020				
	Without Donor Restrictions			With Donor	
	Transfer	Reserve Fund	Board-Designated	Restriction	Total
Endowment net assets, beginning of year	$ 369,168	$ 1,985,504	$ 3,053,652	$ 5,739,253	$ 11,147,577
Investment return, net		355,038	539,785	887,442	1,782,265
Transfer	(341,170)	-	-	-	(341,170)
Appropriation for expenditure	380,550	-	(291,040)	(89,510)	-
Endowment net assets, end of year	$ 408,548	$ 2,340,542	$ 3,302,397	$ 6,537,185	$ 12,588,672

	December 31, 2019				
	Without Donor Restrictions			With Donor	
	Transfer	Reserve Fund	Board-Designated	Restriction	Total
Endowment net assets, beginning of year	$ 333,424	$ 1,647,538	$ 2,550,979	$ 4,978,025	$ 9,509,966
Contributions	-	-	-	50,000	50,000
Investment return, net	-	337,966	545,249	1,009,822	1,893,037
Transfer	(305,426)	-	-	-	(305,426)
Appropriation for expenditure	341,170	-	(42,576)	(298,594)	-
Endowment net assets, end of year	$ 369,168	$ 1,985,504	$ 3,053,652	$ 5,739,253	$ 11,147,577

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
American Federation for Aging Research, Inc.
New York, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of American Federation for Aging Research, Inc. (a nonprofit organization) ("AFAR"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered AFAR's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AFAR's internal control. Accordingly, we do not express an opinion on the effectiveness of AFAR's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of AFAR's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether AFAR's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AFAR's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AFAR's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wiss & Company

WISS & COMPANY, LLP

Florham Park, New Jersey
July 21, 2021

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
American Federation for Aging Research, Inc.
New York, New York

Report on Compliance for Each Major Federal Program

We have audited American Federation for Aging Research, Inc.'s ("AFAR") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of AFAR's major federal programs for the year ended December 31, 2020. AFAR's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for AFAR's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about AFAR's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of AFAR's compliance.

Opinion on Each Major Federal Program

In our opinion, AFAR complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended December 31, 2020.

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Report on Internal Control Over Compliance

Management of AFAR is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered AFAR's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of AFAR's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of AFAR's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wiss & Company

WISS & COMPANY, LLP

Florham Park, New Jersey
July 21, 2021

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

Federal Grantor / Pass-Through Grants / Program or Cluster Title	FAIN/ Pass-Through Entity Identifying No.	Federal CFDA No.	Passed-Through to Subrecipients	Federal Expenditures
Research and Development Cluster:				
U.S. Department of Health and Human Services				
National Institutes of Health				
Direct Awards:				
Aging Research (Clin-STAR Coordinating Center)	U24AG065204	93.866	$ 46,565	$ 387,958
Aging Research (Nathan Shock Centers Coordinating Center)	U24AG056053	93.866	222,111	386,848
Total Direct Awards			268,676	774,806
Passed-Through Wake Forest University Health Sciences:				
Aging Research (Developing an NIA Research Centers Collaborative Network (RCCN))	U24AG058556 / WFUHS 114749	93.866	-	208,429
Total Expenditures of Federal Awards			$ 268,676	$ 983,235

See accompanying notes to schedules of expenditures of federal awards.

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

1. General:

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of American Federation for Aging Research, Inc. ("AFAR") under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected position of the operations of AFAR, it is not intended to and does not present the financial position, changes in net assets or cash flows of AFAR.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate:

AFAR has elected not to use the 10-percent de-minimis indirect cost rate allowed under the Uniform Guidance.

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2020

Section I - Summary of Auditors' Result

FINANCIAL STATEMENTS SECTION

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None reported
Non-compliance material to basic financial statements noted?		Yes	X	No

FEDERAL AWARDS

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000			
Auditee qualified as low-risk auditee?	X	Yes		No
Type of auditor's report issued on compliance for major programs:	Unmodified			
Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None reported
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance Section 2 CFR 200.516(a)?		Yes	X	No

Identification of major programs:

Federal	CFDA No.	Amount
Research and Development Cluster	93.866	$ 983,235

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED DECEMBER 31, 2020

Section II - Financial Statement Findings

NONE

Section III - Federal Award Findings and Questioned Costs

NONE

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2020

Not applicable - not subject to single audit in prior year