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OWEN J. FLANAGAN, CPA  
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MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

**Independent Auditor's Report**

**Board of Directors of  
American Federation for Aging Research, Inc.  
55 West 39<sup>th</sup> Street, 16<sup>th</sup> Floor  
New York, NY 10018**

We have audited the accompanying financial statements of American Federation for Aging Research, Inc. ("AFAR"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Federation for Aging Research, Inc. as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Report on Summarized Comparative Information***

We have previously audited the American Federation for Aging Research, Inc.'s December 31, 2018 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated June 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, reading "Owen J. Flanagan & Co." in a cursive script.

New York, NY  
September 1, 2020

**AMERICAN FEDERATION FOR AGING RESEARCH, INC.****STATEMENT OF FINANCIAL POSITION****DECEMBER 31, 2019****(WITH COMPARATIVE TOTALS FOR 2018)**

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
Current Assets		
Cash and cash equivalents (Note 7)	\$ 2,438,083	\$ 3,138,557
Contributions receivable (Note 3)	1,438,997	3,182,244
Investments (Note 5)	13,393,412	12,475,058
Prepaid expenses, deposits and other assets	125,844	222,504
<u>Total Current Assets</u>	17,396,336	19,018,363
Contributions receivable - long term (Note 3)	305,441	952,493
Furniture, equipment and leasehold improvements - net (Note 12)	8,797	2,468
Beneficial interest in charitable remainder trust (Note 14)	1,424,838	1,166,626
<u>Total Assets</u>	<u>\$ 19,135,412</u>	<u>\$ 21,139,950</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities		
Research grants and scholarships payable (Note 6)	\$ 1,499,332	\$ 1,322,498
Accounts payable and accrued expenses	203,808	179,432
<u>Total Current Liabilities</u>	1,703,140	1,501,930
Research grants and scholarships payable - long-term (Note 6)	333,999	390,476
<u>Total Liabilities</u>	<u>2,037,139</u>	<u>1,892,406</u>
Net Assets		
Without donor restriction	5,844,155	5,491,549
With donor restriction		
Purpose or time restricted (Note 7)	6,942,843	9,494,720
Funds held for long-term investment (Note 9)	4,311,275	4,261,275
<u>Total Net Assets</u>	17,098,273	19,247,544
<u>Total Liabilities and Net Assets</u>	<u>\$ 19,135,412</u>	<u>\$ 21,139,950</u>

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

## AMERICAN FEDERATION FOR AGING RESEARCH, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

(WITH COMPARATIVE TOTALS FOR 2018)

	Without Donor Restriction		With Donor Restriction		Total	Total	Total
	Operating	Reserve	Board Designated	Purpose or Time	Long-term Investment	2019	2018
<u>Support, Revenue and Reclassifications</u>							
Contributions	\$ 858,871		\$ 858,871	\$ 725,165	\$ 50,000	\$ 1,634,036	\$ 2,236,753
Government grants (Note 18)	736,695		736,695			736,695	705,632
Changes in beneficial interest in charitable remainder trust				258,212		258,212	(58,052)
Investment return, net (Note 13)	70,708	\$ 337,966	\$ 545,637	1,027,310		1,981,621	(417,685)
Investment drawdown	341,170		(42,965)	(298,205)			
AFAR Gala Dinner (Note 17)	65,954		65,954			65,954	154,308
Other				16,667		16,667	
Net Assets released from restrictions	4,281,026			(4,281,026)			
<u>Total</u>	6,354,424	337,966	502,672	(2,551,877)	50,000	4,693,185	2,620,956
<u>Expenses (Exhibit D)</u>							
Research Grants and Scholarships	4,612,579					4,612,579	4,026,836
Meetings and Public Education	1,132,572					1,132,572	980,379
Management and general	597,160					597,160	567,802
Fund-raising	500,145					500,145	516,083
<u>Total</u>	6,842,456					6,842,456	6,091,100
Change in Net Assets for Year	(488,032)	337,966	502,672	(2,551,877)	50,000	(2,149,271)	(3,470,144)
Net Assets, beginning of year	548,109	2,392,461	2,550,979	9,494,720	4,261,275	19,247,544	22,717,688
Transfers (Note 20)	34,278	(34,278)					
Net Assets, End of Year	\$ 94,355	\$ 2,696,149	\$ 3,053,651	\$ 6,942,843	\$ 4,311,275	\$ 17,098,273	\$ 19,247,544

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

**AMERICAN FEDERATION FOR AGING RESEARCH, INC.****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED DECEMBER 31, 2019****(WITH COMPARATIVE TOTALS FOR 2018)**

	<u>2019</u>	<u>2018</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Change in Net Assets for the year	\$ (2,149,271)	\$ (3,470,144)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	2,337	5,063
Realized and change in unrealized appreciation	(1,800,086)	1,076,181
Change in beneficial interest in Charitable Remainder Trust	(258,212)	58,052
Change in operating assets and liabilities:		
Contributions receivable	2,390,299	1,842,077
Prepaid expenses, deposits and other assets	96,660	(117,933)
Accounts payable and accrued expenses	24,376	62,165
Research grants and scholarships payable	120,357	(750,562)
<b><u>Net Cash Used in Operating Activities</u></b>	<u>(1,573,540)</u>	<u>(1,295,101)</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Net purchases of short-term cash investments	(823,437)	(71,911)
Purchases of investments	(5,280,492)	(7,030,217)
Proceeds from sales of investments	6,985,661	5,845,227
Purchase of software	(8,666)	-
<b><u>Net Cash Provided (Used) by Investing Activities</u></b>	<u>873,066</u>	<u>(1,256,901)</u>
Net decrease in cash and cash equivalents	(700,474)	(2,552,002)
Cash and cash equivalents, beginning of year	<u>3,138,557</u>	<u>5,690,559</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,438,083</u></u>	<u><u>\$ 3,138,557</u></u>

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

**AMERICAN FEDERATION FOR AGING RESEARCH, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

**WITH COMPARATIVE TOTALS FOR 2018**

	Research Grants and Scholarships	Meetings Public Education	Total Program	Management and General	Fund- Raising	Total Supporting Services	Total 2019	Total 2018
AFAR grants	\$ 3,829,445		\$ 3,829,445				\$ 3,829,445	\$ 3,429,639
Beeson grants (Note 16)								12,811
Medical Student grants	16,000	\$ 164,362	16,000				16,000	16,000
Federal consortium grants	136,263	35,088	171,351				164,362	160,385
Other grants and scholarships	3,981,708	199,450	4,181,158				171,351	42,003
	(286,302)		(286,302)				4,181,158	3,660,838
Grant refunds and discounts							(286,302)	(214,502)
<u>Grants and Scholarships, net</u>	3,695,406	199,450	3,894,856				3,894,856	3,446,336
Salaries	356,815	331,745	688,560	\$ 306,447	\$ 223,327	\$ 529,774	1,218,334	1,226,875
Payroll taxes and employee benefits	111,075	103,271	214,346	95,396	69,521	164,917	379,263	385,021
<u>Total Salaries and Related Expenses</u>	467,890	435,016	902,906	401,843	292,848	694,691	1,597,597	1,611,896
Conferences and meetings	243,008	313,787	556,795	18,875	17,622	36,497	593,292	379,116
Website development and content		34,922	34,922				34,922	4,355
Publications	4,004	6,580	10,584		2,833	2,833	13,417	19,227
Occupancy	125,062	34,591	159,653	55,879	50,557	106,436	266,089	257,915
Scientific advisors and other consultants	40,000	41,500	81,500	2,500	99,950	102,450	183,950	168,833
Office and technology	24,421	12,853	37,274	36,900	34,011	70,911	108,185	63,616
Professional fees				58,398		58,398	58,398	28,250
Depreciation and amortization				2,337		2,337	2,337	5,063
Insurance				11,048		11,048	11,048	10,917
Telephone	8,070	2,181	10,251	4,496	2,174	6,670	16,921	16,925
Dues and filing fees	714	2,500	3,214	4,884		4,884	8,098	19,722
Public relations and communications	4,004	45,622	49,626		150	150	49,776	55,793
Other		3,570	3,570				3,570	3,136
<u>Total Other Expenses</u>	449,283	498,106	947,389	195,317	207,297	402,614	1,350,003	1,032,868
<u>Total Expenses</u>	\$ 4,612,579	\$ 1,132,572	\$ 5,745,151	\$ 597,160	\$ 500,145	\$ 1,097,305	\$ 6,842,456	\$ 6,091,100

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

**AMERICAN FEDERATION OF AGING RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 1 - Organization**

American Federation for Aging Research, Inc. ("AFAR") was incorporated under the laws of New York in 1981 in response to the growing need for research and treatment of aging and age-related disease. AFAR grants and fellowships allow young scientists and physicians to consider aging research and the care of the elderly as a career. AFAR also supports conferences related to the research of aging and age-related disease.

The majority of AFAR's support comes from donations from foundations and individuals as well as government grants.

AFAR is exempt from income taxes under Internal Revenue Code section 501(c)3 and has been classified as an organization that is not a private foundation. AFAR is also exempt from New York State and City franchise taxes.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Presentation**

These accompanying financial statements are prepared on the accrual method of accounting. Revenue is recognized when earned and expenses are recognized when incurred.

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

*Net Assets without Donor Restriction* - These assets are free from donor restriction and can be used to carry out the operations of AFAR in accordance with its bylaws. Included in net assets without donor restriction are the *Reserve Fund* and *Board Designated Net Assets*. The Reserve Fund was created by the Board in 2009 to hold liquid contingency funds. These funds are set aside to assist AFAR in maintaining supporting services during times of need. Board Designated Net Assets represents unspent appreciation on endowment funds earned prior to 2010, which have been identified by the Board of Directors to be treated as if they were funds for long-term investment.

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

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

*Funds Held for Long-Term Investment* - These assets were restricted by the donor to be invested in perpetuity. Income earned on these assets is to be used in accordance with the gift instrument.

**Cash and Cash Equivalents**

AFAR considers all highly liquid financial instruments with a maturity date of three months or less to be cash and cash equivalents, excluding cash equivalents included in AFAR's endowment investment portfolio.



**AMERICAN FEDERATION OF AGING RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Fixed Assets**

Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation is generally computed over an estimated useful life of five years by the straight-line method. Leasehold improvements are amortized over the remaining lease term or the life of the improvement, whichever is shorter.

**Contributions**

Contributions are recorded as revenue when received or promised (pledged) unconditionally, at their present value. Gifts received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restriction. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is fulfilled, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Earnings on funds held for long term investment are classified as purpose restricted until appropriated in accordance with the Board adopted spending policy. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Management believes all contributions receivable will be collected. Government grants received and expended in the same year are treated as without donor restriction.

**Research Grants and Scholarships**

Research grants and scholarships are recorded as an expense in the year in which they are awarded, including multi-year awards, which are recorded at their present value.

**Investment Valuation**

AFAR follows Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based on input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

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



**AMERICAN FEDERATION OF AGING RESEARCH, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Comparative Financial Statements**

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with AFAR's financial statements from December 31, 2018, from which the information was derived.

**Functional Expense Allocation**

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses have been allocated by function among program and supporting services on the basis of salaries and the level of effort as determined by AFAR's management.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

**Accounting for Uncertainty in Income Taxes**

AFAR recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that AFAR had no uncertain tax positions that would require financial statement recognition or disclosure. AFAR is no longer subject to examinations by the applicable tax jurisdictions for the year prior to 2016.

**Implementation of New Accounting Policy**

In June 2018, the FASB issued 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The ASU provides a framework for evaluating whether grants and contributions should be accounted for as exchange or non-exchange transactions. It also provides additional guidance on conditional versus non-conditional grants received. AFAR adopted this standard as of January 1, 2019, which did not have a material impact on the financial statements.

**AMERICAN FEDERATION OF AGING RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 3 - Contributions Receivable**

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

	<u>2019</u>	<u>2018</u>
Without donor restriction	\$ 46,809	\$ 114,692
With donor restriction:		
Glenn Foundation for Medical Research	230,000	2,127,500
John A. Hartford Foundation	515,541	1,073,434
National Institute on Aging	475,224	343,024
Gilbert Foundation	120,907	141,147
Other	375,000	400,000
	<u>1,716,672</u>	<u>4,085,105</u>
	<u>\$ 1,763,481</u>	<u>\$ 4,199,797</u>

Contributions receivable, net of discount to present value (at a discount rate of 4.75% in 2019 and 5% in 2018), as of December 31 were due to be collected as follows:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 1,438,997	\$ 3,182,244
One to five years	324,484	1,017,553
	1,763,481	4,199,797
Less: discount to present value	19,043	65,060
	<u>\$ 1,744,438</u>	<u>\$ 4,134,737</u>

**Note 4 - Endowment**

AFAR invests its endowment with the goal of investment growth outpacing inflation. AFAR uses a long-term approach with a moderate level of risk. The target investment allocation is 75% equities and 25% fixed income securities. The endowment account is reported as follows:

**AMERICAN FEDERATION OF AGING RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 4 – Endowment (Continued)**

Net assets with donor restriction	
Funds held for long-term investment	\$ 4,311,275
Purpose or time restricted	<u>1,445,855</u>
	<u>5,757,130</u>
Net assets without donor restriction	
Board designated net assets	3,053,651
Reserve fund	1,985,503
Operating (Pending transfers)	<u>369,168</u>
	<u>5,408,322</u>
	<u>\$ 11,165,452</u>

Changes within the Endowment during the years ended December 31, 2019 and 2018 were as follows:

	<u>Long-Term Investment</u>	<u>Purpose or Time Restricted</u>	<u>Board Designated</u>	<u>Reserve</u>	<u>Pending Transfer</u>	<u>Total</u>
Balance,						
January 1, 2018	\$ 4,211,275	\$ 1,202,520	\$ 2,786,025	\$ 1,725,660	\$ 424,618	\$ 10,350,098
Contributions						
Irving Kahn Fund	50,000					50,000
Net investment earnings		(289,262)	(126,128)	(78,123)		(493,513)
Appropriated for expenditure		(196,508)	(108,918)		305,426	-
Transfer					(396,620)	(396,620)
Balance,						
December 31, 2018	4,261,275	716,750	2,550,979	1,647,537	333,424	9,509,965
Contributions						
Irving Kahn Fund	50,000					
Net investment income		1,027,310	545,637	337,966		1,910,913
Appropriated for expenditure		(298,205)	(42,965)		341,170	-
Transfer					(305,426)	(305,426)
Balance,						
December 31, 2019	<u>\$ 4,311,275</u>	<u>\$ 1,445,855</u>	<u>\$ 3,053,651</u>	<u>\$ 1,985,503</u>	<u>\$ 369,168</u>	<u>\$ 11,165,452</u>

**AMERICAN FEDERATION OF AGING RESEARCH, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**Note 5 - Investments**

The summary of investments is as follows:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit held separately	\$ 2,205,000	\$ 2,205,346	\$ 490,000	\$ 489,694
Cash and money fund held in				
endowment	1,563,975	1,563,975	740,538	740,538
U.S. Treasury Notes	540,305	540,726	3,802,279	3,816,457
Corporate bonds	148,271	150,573	393,708	388,317
Common stocks	385,225	450,974	375,363	363,021
Mutual funds:				
Equity	6,153,649	8,481,818	5,685,834	6,677,031
	<u>\$ 10,996,425</u>	<u>\$ 13,393,412</u>	<u>\$ 11,487,722</u>	<u>\$ 12,475,058</u>

AFAR's investments are categorized as follows:

	2019		
	Total	Level 1	Level 2
Cash and money market funds	\$ 1,563,975	\$ 1,563,975	
Certificates of deposit	2,205,346		\$ 2,205,346
U.S. Treasury Notes	540,726	540,726	
Corporate bonds	150,573		150,573
Common stocks			
Financials	214,224	214,224	
Telecommunications	69,480	69,480	
Oil-international	88,110	88,110	
Other	79,160	79,160	
Mutual funds:			
Equity			
U.S. large growth	3,550,560	3,550,560	
International large	1,237,245	1,237,245	
Large blend	2,419,796	2,419,796	
Other	1,274,217	1,274,217	
	<u>\$ 13,393,412</u>	<u>\$ 11,037,493</u>	<u>\$ 2,355,919</u>

**AMERICAN FEDERATION OF AGING RESEARCH, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**Note 5 - Investments (Continued)**

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

**Note 6 - Research Grants and Scholarships Payable**

Research grants and scholarships payable, net of discount to present value (at a discount rate of 4.75% in 2019 and 5% in 2018), were due to be paid as follows as of December 31:

	2019	2018
Less than one year	\$ 1,499,332	\$ 1,322,498
One to five years	349,864	410,000
	<u>1,849,196</u>	<u>1,732,498</u>
Less discount to present value	15,865	19,524
	<u>\$ 1,833,331</u>	<u>\$ 1,712,974</u>

**Note 7 – Net Assets with Donor Restrictions – Purpose or Time**

In 2019 and in prior years, AFAR has received multi-year grants that are restricted for various purposes, primarily research grants and scholarships. The full amount (net of discount to present value) of a multi-year grant is recognized as a contribution with donor restriction upon receipt of notification of the grant from the donor. Funds are advanced throughout the period of the related grants and are expended in accordance with approved budgets.

**AMERICAN FEDERATION OF AGING RESEARCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 7 – Net Assets with Donor Restrictions – Purpose or Time (Continued)**

Funds received but not yet expended, as well as amounts receivable in future years relating to multi-year grants, are reflected as net assets with donor restriction – purpose or time in the accompanying financial statements. At December 31, 2019 and 2018, the purpose restrictions were as follows:

	<u>2019</u>	<u>2018</u>
Paul B. Beeson Career Development Awards in Aging and Research Program	\$ 1,138,483	\$ 1,427,266
Postdoctoral fellowships	1,289,304	3,050,332
Other grants and scholarships and related program costs	1,823,476	3,134,174
Lecture series	77,076	54,221
Earnings and appreciation on funds held for long-term investment	1,189,666	662,101
Robert and Bette Nielsen Fund (Note 14)	1,424,838	1,166,626
	<u>\$ 6,942,843</u>	<u>\$ 9,494,720</u>

At December 31, 2019, AFAR was holding approximately \$1,609,256 of cash that was part of net assets with donor restriction – purpose or time. This cash is shown as part of cash and cash equivalents and investments.

During 2019 and 2018, net assets with donor restriction were released from restrictions in fulfillment of the following purposes:

	<u>2019</u>	<u>2018</u>
Paul B. Beeson Career Development Awards in Aging and Research Program	\$ 290,499	\$ 274,610
Postdoctoral fellowships	1,533,962	1,471,648
Other grants and scholarships and related program costs	1,887,165	1,667,868
Lecture series	7,588	11,018
Supporting services	561,812	625,782
	<u>\$ 4,281,026</u>	<u>\$ 4,050,926</u>

The amounts released from restriction primarily represent revenue recognized in prior years and expended in 2019 and 2018, respectively.

**Note 8 - Concentration of Risk**

Due to the size of AFAR's programs, AFAR's checking accounts normally exceed the Federally insured limit. As AFAR uses a nationally established bank, management feels this risk is not significant.

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**Note 9 – Net Assets with Donor Restriction – Funds Held for Long-Term Investment**

The donors of these assets have restricted that they be invested in perpetuity. In accordance with New York State Law, the Board of AFAR has enacted a policy of preserving the fair value of the original gift as of the date the restricted gift is received, absent explicit donor stipulations to the contrary. Funds that comprise these net assets at December 31, 2019 and 2018, as well as the purpose for which the income is expendable, were as follows:

		<u>2019</u>	<u>2018</u>
Geroge E. Doty Fund	Fund costs of supporting services	\$ 1,000,000	\$ 1,000,000
Irving S. Wright, MD Fund	Fund research grants	375,000	375,000
Hearst Corporation	Fund research grants	150,000	150,000
Dorothy Eweson Fund	Fund conferences	176,996	176,996
Starr Foundation Fund	Fund costs of supporting services	1,000,000	1,000,000
Glenn Foundation	Fund costs of supporting services	318,250	318,250
The Bedminister Fund	Fund costs of supporting services	10,000	10,000
Dorothy Eweson Fund	Fund costs of supporting services	750,000	750,000
Irving Kahn Fund	Fund research grants	431,029	381,029
AFAR - North Carolina Fund	Student Fund	100,000	100,000
		<u>\$ 4,311,275</u>	<u>\$ 4,261,275</u>

Under New York Prudent Management of Institutional Funds Act, the Board adopted a spending policy of appropriating 4 - 7% of the average fair market value of the preceding 12 months. In 2019 and 2018, the Board approved appropriating approximately 4% of funds held for long term investment (original gift plus the accumulated unappropriated earnings).

**Note 10 - Pension Plan**

A defined contribution pension plan was implemented by AFAR in 1993 covering all employees who fulfill the minimum age and service requirements. AFAR contributes 10% of eligible employees' compensation subject to Internal Revenue Service limitations. Any amounts that are limited are paid as additional salary. Pension expense for 2019 and 2018 amounted to \$95,342 and \$100,313, respectively.



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**Note 11 - Commitments**

AFAR leases for office space at 55 West 39<sup>th</sup> Street, New York City under a lease expiring January 21, 2022. Rent expense totaled \$266,089 and \$257,516 for 2019 and 2018, respectively.

The minimum lease commitment under this lease at December 31, 2019 is as follows:

2020	\$ 240,384
2021	246,393
2022	<u>20,575</u>
	<u>\$ 507,352</u>

**Note 12 - Furniture, Equipment and Leasehold Improvements**

Furniture, equipment and leasehold improvements consists of the following:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 140,723	\$ 132,058
Leasehold improvements	<u>7,263</u>	<u>7,263</u>
	147,986	139,321
Less accumulated depreciation	<u>(139,189)</u>	<u>(136,853)</u>
	<u>\$ 8,797</u>	<u>\$ 2,468</u>

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**Note 13 - Investment Return - Net**

Investment Income is comprised of the following items:

	<u>2019</u>	<u>2018</u>
Operating		
Earnings on cash and temporary investment	\$ 66,486	\$ 72,346
Realized gains	5,813	2,477
Change in unrealized appreciation on investments		3,251
Investment fees	(1,591)	(2,246)
	<u>70,708</u>	<u>75,828</u>
Endowment		
Interest and dividends	172,101	633,844
Realized gains	384,622	289,766
Change in unrealized appreciation on investments	1,409,651	(1,371,675)
Investment fees	(55,461)	(45,448)
	<u>1,910,913</u>	<u>(493,513)</u>
	<u>\$ 1,981,621</u>	<u>\$ (417,685)</u>

**Note 14 - Beneficial Interest in Charitable Remainder Trust**

During 2006, AFAR was notified by the trustees of a charitable remainder trust that AFAR is the beneficiary. Under the terms of the trust, which was valued at approximately \$1.3 million as of December 31, 2006, the trust will pay 5% of the trust's value at January 1 each year to the grantor's wife for the remainder of her life. Upon her death, AFAR will receive the remaining principal to create the Robert and Bette Nielson Fund which can be used to support the general uses and purposes of AFAR.

Using an estimated investment return of 5% per year and the expected life of the beneficiary, AFAR has valued this future benefit at \$1,424,838 based on a trust value of \$1,673,472 as of December 31, 2019 and using a discount rate of 4.75%. This represents an increase of \$258,212 from the future benefit calculated last year. Significant estimates are involved in this calculation and it is reasonably possible that these numbers could change in the near term.

**Note 15 - Subsequent Events**

In connection with the preparation of the financial statements AFAR evaluated subsequent events after the statement of financial position date of December 31, 2019 through September 1, 2020, which was the date the financial statements were available to be issued. AFAR did not have any material recognizable subsequent events during this period.

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**Note 16 - Beeson Grants**

The National Institute of Aging has increased its commitment to the program and is paying the grants directly. The program was still able to fund up to eight scholars as in previous years.

**Note 17 - AFAR Gala Dinner**

In 2019, AFAR held a Gala Dinner on November 1, 2019. The dinner generated \$65,954 which is net of \$83,746 of expenses. The 2018 dinner generated \$154,308 which was net of \$58,392 of expenses.

**Note 18 - Government Grants**

In 2019, AFAR was awarded a government grant in the amount of \$4,453,015 from the National Institute on Aging to act as the Coordinating Center for the new Clinician-Scientists Transdisciplinary Aging Research (Clin-STAR) program. This is a five year grant that will be spent during the period September 30, 2019 through November 30, 2024. As the Coordinating Center, AFAR will manage the National Program Office and will develop a multi-faceted platform to promote and enrich the career development, training and trans-disciplinary research of clinicians-investigators across the U.S., particularly early stage investigators who are committed to career in aging research.

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

Also in 2018, AFAR was awarded a one-time supplemental grant in the amount of \$238,940 from the National Institute on Aging to hold a series of International Geroscience Conferences in 2019. This grant covers personnel and travel expenses. AFAR has received a no cost extension on this grant until March 31, 2021.

In 2017 AFAR was awarded two government grants from the National Institute on Aging. Payment of the grants are conditioned on AFAR incurring expenses for specific programs. The first grant, awarded on March 23, 2017 in the amount of \$1,310,992 is to be spent during the three year period from April 1, 2017 to March 31, 2020. (This grant also received a no cost extension until March 31, 2021) It is for the creation of the Nathan Shock Coordinating Center. AFAR has been designated as the first Coordinating Center for the Nathan Shock Centers of Excellence in the Basic Biology of Aging. As the Coordinating Center, AFAR will develop and implement data quality control and sharing, provide logistical support and implement evaluation strategies to assess effectiveness and guide future direction. In addition, the Coordinating Center will communicate the capabilities and achievements of the individual Centers to other aging researchers and the general public, provide information resources and serve as a scientific exchange forum.

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

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**Note 18 - Government Grants (Continued)**

A summary of the income recorded from these grants is:

	<u>2019</u>	<u>2018</u>
Nathan Shock Centers Coordinating Center	\$ 344,572	\$ 448,608
Research Centers Collaborative Network	168,675	190,914
Clinician-scientists Trans-disciplinary Aging Research	42,794	
International Geroscience Conferences	132,033	16,110
Beeson Conference	48,621	50,000
	<u>\$ 736,695</u>	<u>\$ 705,632</u>

Payments of these grants are conditioned on AFAR incurring expenses for the specific programs.

**Note 19 - Liquidity and Availability of Financial Assets**

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

Financial Assets:	
Cash and cash equivalents	\$ 2,438,083
Investments	13,393,412
Interest receivable	11,973
Contributions receivable - current	1,438,997
	<u>17,282,465</u>
Less:	
Purpose restricted	(6,637,402)
Funds held for long-term investment	(4,311,275)
Board designated for long-term investment	(3,053,651)
Reserve fund	(2,696,149)
	<u>(16,698,477)</u>
	583,988
Add: 2020 Endowment spending	<u>341,170</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 925,158</u>

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

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**Note 20 – Transfers from Reserve to Operating**

In 2019, AFAR the Board approved a transfer from the Reserve Fund of up to \$48,228 to cover the costs of a complete redesign of AFAR's website. During 2019, \$34,278 was transferred to cover costs incurred to date.

**Note 21 – COVID-19**

AFAR's operations and financial performance may be affected by the recent coronavirus outbreak which has spread globally and is affecting economic conditions throughout the world. As the outbreak continues, AFAR may experience a disruption in operations, fluctuations in the value of investments as well as a decline in the level of contributions received. An estimate of the total impact of the outbreak cannot be determined at this time.