



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

**FINANCIAL REPORTS
DECEMBER 31, 2022 AND 2021**

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of American Federation for Aging Research, Inc., ("AFAR") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AFAR as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AFAR's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AFAR's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were 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 24 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 schedule of expenditures of federal awards 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 June 16, 2023, 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
June 16, 2023

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2022	2021
ASSETS		
Cash and equivalents	\$ 2,447,765	\$ 6,298,586
Operating investments	4,566,657	1,469,581
Contributions and grants receivable, net	13,371,824	6,651,070
Prepaid expenses, deposits and other assets	100,353	111,623
Property and equipment, net	22,987	17,941
Operating lease right of use asset, net	584,151	-
Endowment investments	11,357,344	13,669,188
Beneficial interest in charitable remainder trust	<u>1,367,853</u>	<u>1,796,811</u>
 Total Assets	 <u>\$ 33,818,934</u>	 <u>\$ 30,014,800</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 304,939	\$ 210,440
Research grants and scholarships payable, net	9,777,327	2,694,847
Operating lease liability	<u>586,567</u>	<u>-</u>
Total Liabilities	<u>10,668,833</u>	<u>2,905,287</u>
 NET ASSETS:		
Without donor restrictions:		
Undesignated (operating)	327,686	238,878
Board-designated (endowment for long term investment)	2,872,990	3,543,533
Reserve fund	<u>3,003,284</u>	<u>3,465,485</u>
	6,203,960	7,247,896
With donor restrictions:		
Purpose or time restricted	12,534,866	15,500,342
Perpetual in nature	<u>4,411,275</u>	<u>4,361,275</u>
	16,946,141	19,861,617
 Total Net Assets	 <u>23,150,101</u>	 <u>27,109,513</u>
 Total Liabilities and Net Assets	 <u>\$ 33,818,934</u>	 <u>\$ 30,014,800</u>

See accompanying notes to financial statements.

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES:						
Contributions	\$ 915,914	\$ 12,845,265	\$ 13,761,179	\$ 1,076,080	\$ 10,163,544	\$ 11,239,624
Government grants	953,212	-	953,212	1,237,556	-	1,237,556
Changes in beneficial interest in charitable remainder trust	-	(428,958)	(428,958)	-	201,268	201,268
Investment return, net	(1,126,972)	(1,222,092)	(2,349,064)	835,337	979,253	1,814,590
Net assets released from restrictions	14,109,691	(14,109,691)	-	4,927,349	(4,927,349)	-
Total Support and Revenues	<u>14,851,845</u>	<u>(2,915,476)</u>	<u>11,936,369</u>	<u>8,076,322</u>	<u>6,416,716</u>	<u>14,493,038</u>
EXPENSES:						
Program services	14,917,815	-	14,917,815	6,509,983	-	6,509,983
Supporting services:						
Management and general	619,946	-	619,946	591,155	-	591,155
Fundraising	<u>358,020</u>	<u>-</u>	<u>358,020</u>	<u>321,928</u>	<u>-</u>	<u>321,928</u>
	<u>977,966</u>	<u>-</u>	<u>977,966</u>	<u>913,083</u>	<u>-</u>	<u>913,083</u>
Total Expenses	<u>15,895,781</u>	<u>-</u>	<u>15,895,781</u>	<u>7,423,066</u>	<u>-</u>	<u>7,423,066</u>
CHANGE IN NET ASSETS	(1,043,936)	(2,915,476)	(3,959,412)	653,256	6,416,716	7,069,972
NET ASSETS, BEGINNING OF YEAR	<u>7,247,896</u>	<u>19,861,617</u>	<u>27,109,513</u>	<u>6,594,640</u>	<u>13,444,901</u>	<u>20,039,541</u>
NET ASSETS, END OF YEAR	<u>\$ 6,203,960</u>	<u>\$ 16,946,141</u>	<u>\$ 23,150,101</u>	<u>\$ 7,247,896</u>	<u>\$ 19,861,617</u>	<u>\$ 27,109,513</u>

See accompanying notes to financial statements.

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended December 31,							
	2022				2021			
	Scientific Programs	Management and General	Fundraising	Total Expenses	Scientific Programs	Management and General	Fundraising	Total Expenses
Research grants and scholarships, net	\$ 12,034,312	\$ -	\$ -	\$ 12,034,312	\$ 4,917,055	\$ -	\$ -	\$ 4,917,055
SALARIES AND RELATED EXPENSES:								
Salaries and wages	1,201,177	358,943	244,987	1,805,107	912,425	310,438	169,051	1,391,914
Payroll taxes and fringe benefits	306,606	92,477	45,631	444,714	265,542	90,347	49,199	405,088
Total salaries and related expenses	1,507,783	451,420	290,618	2,249,821	1,177,967	400,785	218,250	1,797,002
OTHER EXPENSES:								
Occupancy	144,413	43,254	27,846	215,513	134,202	45,660	24,864	204,726
Scientific advisors and other consultants	551,182	4,637	13,398	569,217	186,960	3,500	37,325	227,785
Office and technology	69,841	28,016	21,682	119,539	44,380	29,306	22,387	96,073
Public relations and communications	17,405	-	-	17,405	17,304	101	344	17,749
Conferences and meetings	493,750	12,614	4,476	510,840	32,115	5,764	18,758	56,637
Other program costs	77,601	-	-	77,601	-	-	-	-
Insurance	-	12,265	-	12,265	-	5,346	-	5,346
Professional fees	21,528	60,532	-	82,060	-	97,000	-	97,000
Depreciation and amortization	-	7,208	-	7,208	-	3,693	-	3,693
Total other expenses	1,375,720	168,526	67,402	1,611,648	414,961	190,370	103,678	709,009
Total expenses	\$ 14,917,815	\$ 619,946	\$ 358,020	\$ 15,895,781	\$ 6,509,983	\$ 591,155	\$ 321,928	\$ 7,423,066

See accompanying notes to financial statements.

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (3,959,412)	\$ 7,069,972
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	7,208	3,693
Amortization of operating lease right of use asset	185,188	-
Realized gain on operating investments	(23)	-
Unrealized loss on operating investments	33,500	1,071
Donated securities	(8,604)	-
Endowment net investment return	2,336,437	(1,814,912)
Change in beneficial interest in charitable remainder trust	428,958	(201,268)
Changes in operating assets and liabilities:		
Contributions and grants receivable	(6,720,754)	(4,607,298)
Prepaid expenses, deposits and other assets	11,270	45,796
Accounts payable and accrued expenses	94,499	84,379
Research grants and scholarships payable	7,082,480	898,176
Payments on operating lease obligation	<u>(182,772)</u>	<u>-</u>
Net cash flows from operating activities	<u>(692,025)</u>	<u>1,479,609</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of operating investments	(6,333,822)	(1,470,000)
Proceeds from sales of operating investments	3,211,873	980,000
Purchase of property and equipment	(12,254)	(15,120)
Addition to endowment	(50,000)	(50,000)
Withdrawal from endowment	<u>25,407</u>	<u>784,396</u>
Net cash flows from investing activities	<u>(3,158,796)</u>	<u>229,276</u>
NET CHANGE IN CASH AND EQUIVALENTS	(3,850,821)	1,708,885
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>6,298,586</u>	<u>4,589,701</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 2,447,765</u>	<u>\$ 6,298,586</u>
SUPPLEMENTAL NON-CASH FLOW INFORMATION -		
Donated securities	\$ 8,604	\$ -
Right of use asset from operating lease liability	<u>769,339</u>	<u>-</u>
	<u><u>\$ 777,943</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

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 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, 2022 and 2021.

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 and changes in net assets. 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, 2022 and 2021, no allowance was deemed necessary.

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 \$5,000 are capitalized. Repairs and maintenance costs are expensed as incurred while major renewals and betterments are capitalized. When assets are disposed of, the assets and related allowances for depreciation are

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS

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

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)

Operating and Finance Leases - As of January 1, 2022, AFAR categorizes leases with contractual terms longer than twelve months as either operating or finance. The operating lease at December 31, 2022 has a term of 3 years for property. Former capital leases are now referred to as finance leases and operating leases are now recorded on statements of financial position and referred to as operating leases, both finance and operating leases are considered right of use assets. AFAR has elected the practical expedient to not capitalize leases with a term of twelve months or less. These short-term leases are instead expensed as incurred on a straight-line basis. AFAR also elected the practical expedient to utilize the risk-free rate for all classes of assets when the rate implicit in the lease is not determinable. Lastly, AFAR elected the practical expedient to not separate the lease from non-lease components. At December 31, 2022, management has determined that these assets are not impaired.

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 present value, which approximates the fair value, of the underlying trust assets, using a discount rate of 5.22% and 3.25% at December 31, 2022 and 2021, 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, 2022 and 2021, 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.

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS

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

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.

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, 2022 and 2021.

For the year ended December 31, 2022 approximately 96% and 87% of AFAR's total support/revenue and receivables were provided by two sources. For the year ended December 31, 2021, approximately 65% and 79% of AFAR's total support/revenue and receivables were provided by three and two sources, respectively.

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

NOTES TO FINANCIAL STATEMENTS

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

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.

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. AFAR is no longer subject to examinations by the IRS and the State of New York for year ends prior to December 31, 2019.

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, 2022 or 2021.

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.

Newly Adopted Accounting Standards - On the first day of the 2022 year, AFAR adopted Accounting Standards Update ("ASU") No. 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 result in the lessee recognizing a right-of-use asset and a corresponding lease liability. For finance leases, the lessee recognizes interest expense and amortization of the right-of-use asset and for operating leases, the lessee would recognize a straight-line lease expense. This ASU is effective for fiscal years beginning after December 15, 2021. AFAR adopted the standard using the effective date method, and therefore did not adjust prior period amounts and continues to report those in accordance with historic accounting policies resulting in a statement of financial position presentation that is not comparable to the prior period in the first year of adoption. With adoption, AFAR elected the package of three practical expedients, including to retain the historical lease classification, relief from reviewing expired or existing contracts to determine if they contain leases, as well as not reviewing previously capitalized initial direct costs to see if they would qualify for capitalization under Topic 842. AFAR also elected to not separate lease and non-lease components. In addition, deferred rent asset/liability is reported as part of the right of use asset. The adoption of this ASU resulted in the recognition of operating lease assets of approximately \$769,000. The corresponding operating lease liabilities recognized totaled approximately \$769,000 with no adjustment to opening net assets and no effect on the change in net assets.

Recently Issued Accounting Pronouncements - In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, including subsequently issued ASUs, to clarify the implementation guidance in ASU 2016-13. The amendment requires a financial asset (or group of financial assets) such as trade receivables, to be assessed for impairment under current expected credit loss model rather than an incurred loss model. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 will be effective for private companies fiscal years beginning after December 15, 2022. Early adoption is permitted. AFAR is evaluating the impact of adopting this new accounting guidance on the financial statements.

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS

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

Subsequent Events - Management has reviewed and evaluated all events and transactions from December 31, 2022 through June 16, 2023, 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.

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,	
	2022	2021
Available financial assets at year-end:		
Cash and equivalents	\$ 2,447,765	\$ 6,298,586
Operating investments	4,566,657	1,469,581
Contributions and grants receivable (Note 4)	<u>6,047,282</u>	<u>4,810,259</u>
Total available financial assets at year-end	13,061,704	12,578,426
Less: Amounts not available for general expenses:		
Reserve fund (cash)	(710,645)	(710,645)
Purpose-restricted net assets (Note 9)	<u>(9,495,236)</u>	<u>(10,693,991)</u>
Total available financial assets at year-end	<u>\$ 2,855,823</u>	<u>\$ 1,173,790</u>

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;

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS

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

- 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.

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: Valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.
- Common stocks, mutual funds, and U.S. treasury securities: Valued at the closing price reported on the active market in which the security is traded.
- 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:

	<i>Assets at Fair Value as of December 31, 2022</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Operating Investments				
Common stocks	\$ 1,677	\$ -	\$ -	\$ 1,677
U.S. treasury securities	4,564,980	-	-	4,564,980
	<u>\$ 4,566,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,566,657</u>
Endowment Investments				
Common stocks	\$ 408,309	\$ -	\$ -	\$ 408,309
Mutual funds	8,426,815	-	-	8,426,815
U.S. treasury securities	1,697,723	-	-	1,697,723
	<u>\$ 10,532,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>10,532,847</u>
Cash				<u>824,497</u>
				<u>\$ 11,357,344</u>
Beneficial interest in charitable remainder trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,367,853</u>	<u>\$ 1,367,853</u>

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS

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

<i>Assets at Fair Value as of December 31, 2021</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Operating Investments				
Certificates of deposit	\$ -	\$ 1,469,581	\$ -	\$ 1,469,581
Endowment Investments				
Common stocks	\$ 445,955	\$ -	\$ -	\$ 445,955
Mutual funds	11,858,843	-	-	11,858,843
	<u>\$ 12,304,798</u>	<u>\$ -</u>	<u>\$ -</u>	12,304,798
Cash				<u>1,364,390</u>
				<u>\$ 13,669,188</u>
Beneficial interest in charitable remainder trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,796,811</u>	<u>\$ 1,796,811</u>

Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)		
Beneficial Interest in Charitable Remainder Trust		
December 31,		
	2022	2021
Balance, at beginning of year	\$ 1,796,811	\$ 1,595,543
Change in value	(428,958)	201,268
Balance, at end of year	<u>\$ 1,367,853</u>	<u>\$ 1,796,811</u>

Transfers Between Levels - The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in the economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended December 31, 2022 and 2021, 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 5.22% and 3.25% for 2022 and 2021, respectively, and are due as follows:

December 31,		
	2022	2021
Less than one year	\$ 6,047,282	\$ 4,810,259
One to five years	7,914,000	1,901,000
	13,961,282	6,711,259
Less: discount to present value	(589,458)	(60,189)
	<u>\$ 13,371,824</u>	<u>\$ 6,651,070</u>

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5 - Property and Equipment:

Property and equipment consist of the following:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 30,125	\$ 17,871
Software	<u>8,665</u>	<u>8,665</u>
	38,790	26,536
Less: accumulated depreciation and amortization	<u>(15,803)</u>	<u>(8,595)</u>
	<u>\$ 22,987</u>	<u>\$ 17,941</u>

Note 6 - Research Grants and Scholarships payable:

At December 31, 2022 and 2021, research grants and scholarships payable totaled \$9,954,684 (discounted to \$9,777,327) and \$2,747,863 (discounted to \$2,694,847), respectively. As of December 31, 2022, AFAR's research grants and scholarships payable consist of unconditional promises to give and are expected to be paid as follows:

<u>Year Ending December 31,</u>	
2023	\$ 6,379,684
2024	<u>3,575,000</u>
	9,954,684
Less amount to reduce to present value	<u>(177,357)</u>
	<u>\$ 9,777,327</u>

Research grants and scholarships payable as of December 31, 2022 were discounted over the payment period using a discount rate of 5.22%.

Note 7 - Leases:

AFAR leases its main office from an unrelated company under a non-cancelable operating lease expiring through 2026. The lease right of use asset and operating lease liability is payable in monthly installments. Total costs recognized in the statements of functional expenses related to operating lease costs and included in Occupancy totaled \$192,731 for the year ended December 31, 2022. The remaining lease term for the operating lease is 3.09 years and the risk-free rate is 1.13%. Cost of this asset totaled \$769,339 and accumulated amortization totaled \$185,188 for a net asset total of \$584,151 at December 31, 2022.

As of December 31, 2022, AFAR's lease liability was as follows:

	<u>Operating Lease</u>
Gross undiscounted lease liability	\$ 596,670
Less: Imputed interest	<u>(10,103)</u>
Present value of lease liability	586,567
Less: Current portion of lease liability	<u>(183,533)</u>
Long-term lease liability	<u>\$ 403,034</u>

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS

Note 7 – Leases (continued):

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

<u>Year Ending December 31,</u>	<u>Operating Lease</u>
2023	\$ 189,037
2024	193,350
2025	197,771
2026	16,512
	<u>\$ 596,670</u>

Rent expense totaled \$185,171 for the year ended December 31, 2021. This amount is included in Occupancy on the statements of functional expenses.

As of December 31, 2022 operating cash flows from operating lease totaled approximately \$190,000, which includes both principal and interest payments.

Note 8 - Commitments:

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 expenditure, 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.

Retirement Plans - A defined contribution 403(b) 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. Retirement expense for 2022 and 2021 amounted to \$122,221 and \$109,356, respectively, and is included with payroll taxes and fringe benefits on the statements of functional expenses.

In 2021, AFAR established a supplemental defined contribution 457(b) plan covering only the top-hat employees, directors or higher, into which contributions exceeding 403(b) limits will be contributed on a tax deferred basis, subject to Internal Revenue Service limitations. There are no eligibility requirements to participate. Retirement expense for 2022 and 2021 amounted to \$9,000 and \$19,500, respectively, and is included with payroll taxes and fringe benefits on the statements of functional expenses.

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9 - Net Assets with Donor Restrictions:

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

	December 31,	
	2022	2021
Subject to specified purpose:		
Research grants and scholarships	\$ 8,330,804	\$ 8,911,343
Conferences and meetings	826,682	1,104,612
Other	337,750	678,036
	<u>9,495,236</u>	<u>10,693,991</u>
Subject to the passage of time:		
Beneficial interest in charitable remainder trust	<u>1,367,853</u>	<u>1,796,811</u>
Endowments (see Note 10):		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
Available for general supporting services	1,267,614	2,310,005
Research grants	281,493	511,558
Conferences	94,696	131,675
Scholarship fund	27,974	56,302
	<u>1,671,777</u>	<u>3,009,540</u>
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
Supporting services	3,078,250	3,078,250
Research grants	1,056,029	1,006,029
Conferences	176,996	176,996
Student fund	100,000	100,000
	<u>4,411,275</u>	<u>4,361,275</u>
Endowment subtotal	<u>6,083,052</u>	<u>7,370,815</u>
	<u>\$ 16,946,141</u>	<u>\$ 19,861,617</u>

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.

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

NOTES TO FINANCIAL STATEMENTS

Note 10 - Endowment Funds (continued):

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% of the average fair market value of the preceding 12 months.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). AFAR has interpreted NYPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2022 and 2021, there were no underwater endowments.

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS

Note 10 - Endowment Funds (continued):

Changes in Endowment Net Assets

	December 31, 2022				
	Without Donor Restrictions			With Donor	Total
	Reserve Fund	Board-Designated	Other	Restriction	
Endowment net assets, beginning of year	\$ 2,754,840	\$ 3,543,533	\$ -	\$ 7,370,815	\$ 13,669,188
Contributions	-	-	-	50,000	50,000
Investment return, net	(462,201)	(652,144)	-	(1,222,092)	(2,336,437)
Transfer	-	-	108,663	-	108,663
Appropriation for expenditure	-	(18,399)	-	(115,671)	(134,070)
Endowment net assets, end of year	<u>\$ 2,292,639</u>	<u>\$ 2,872,990</u>	<u>\$ 108,663</u>	<u>\$ 6,083,052</u>	<u>\$ 11,357,344</u>

	December 31, 2021				
	Without Donor Restrictions			With Donor	Total
	Reserve Fund	Board-Designated	Other	Restriction	
Endowment net assets, beginning of year	\$ 2,340,542	\$ 3,302,397	\$ 408,548	\$ 6,537,185	\$ 12,588,672
Contributions	-	-	-	50,000	50,000
Investment return, net	489,050	346,609	-	979,253	1,814,912
Transfer	-	-	(408,548)	-	(408,548)
Appropriation for expenditure	(74,752)	(105,473)	-	(195,623)	(375,848)
Endowment net assets, end of year	<u>\$ 2,754,840</u>	<u>\$ 3,543,533</u>	<u>\$ -</u>	<u>\$ 7,370,815</u>	<u>\$ 13,669,188</u>



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**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, 2022, 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 June 16, 2023.

Report on 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) as a basis for designing 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.

Report on 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.

A handwritten signature in black ink that reads "Wiss & Company". The script is cursive and fluid.

WISS & COMPANY, LLP

Florham Park, New Jersey
June 16, 2023



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**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

Opinion on 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, 2022. AFAR's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of AFAR and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of AFAR's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to AFAR's federal program.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on AFAR's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about AFAR's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding AFAR's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of AFAR's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in black ink that reads "Wiss & Company". The script is fluid and cursive, with the ampersand being particularly stylized.

WISS & COMPANY, LLP

Florham Park, New Jersey
June 16, 2023

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2022

Federal Grantor / Pass-Through Grants / Program or Cluster Title	FAIN/ Pass-Through Entity Identifying No.	Federal ALN	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	\$ 87,499	\$ 414,386
Aging Research (Nathan Shock Centers Coordinating Center)	U24AG056053	93.866	<u>158,106</u>	<u>288,048</u>
Total Direct Awards			<u>245,605</u>	<u>702,434</u>
Passed-Through Wake Forest University Health Sciences:				
Aging Research (Developing an NIA Research Centers Collaborative Network (RCCN))	U24AG058556 / WFSUHS 114749	93.866	<u>-</u>	<u>250,778</u>
Total Expenditures of Federal Awards			<u>\$ 245,605</u>	<u>\$ 953,212</u>

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, 2022

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, 2022. 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, 2022

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:

Internal control over financial reporting:

Material weakness(es) identified?

Significant deficiency(ies) identified?

<u>Unmodified</u>		
<u>Yes</u>	<u>X</u>	No
<u>Yes</u>	<u>X</u>	None reported
<u>Yes</u>	<u>X</u>	No

Non-compliance material to basic financial statements noted?

FEDERAL AWARDS

Dollar threshold used to distinguish between Type A and Type B programs:

<u>\$750,000</u>		
<u>X</u>	Yes	No

Auditee qualified as low-risk auditee?

Type of auditor's report issued on compliance for major programs:

<u>Unmodified</u>		
<u>Yes</u>	<u>X</u>	No
<u>Yes</u>	<u>X</u>	None reported

Internal control over major programs:

Material weakness(es) identified?

Significant deficiency(ies) identified?

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance Section 2 CFR 200.516(a)?

<u>Yes</u>	<u>X</u>	No
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Identification of major programs:

Federal

Research and Development Cluster

<u>ALN</u>	<u>Amount</u>
93.866	\$ 953,212

AMERICAN FEDERATION FOR AGING RESEARCH, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED DECEMBER 31, 2022

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, 2022

Summary of Prior Year Findings

Not applicable as there were no findings identified in 2021.