

**ALLIANCE FOR AGING RESEARCH**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

**ALLIANCE FOR AGING RESEARCH  
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# LarsonAllen<sup>®</sup> LLP

CPAs, Consultants & Advisors  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Alliance for Aging Research  
Washington, DC

We have audited the accompanying statements of financial position of the Alliance for Aging Research (the "Organization") as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*LarsonAllen LLP*  
LarsonAllen LLP

Arlington, Virginia  
September 30, 2009



**ALLIANCE FOR AGING RESEARCH  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2009 AND 2008**

<b>ASSETS</b>	2009	2008
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,093,813	\$ 2,902,113
Pledges Receivable	20,000	80,000
Other Receivables	87,267	24,744
Investments	407,234	867,408
Prepaid Expenses and Other Assets	14,234	9,283
Total Current Assets	3,622,548	3,883,548
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and Office Equipment	50,581	50,581
Computer Equipment and Software	32,216	37,087
Leasehold Improvements	65,134	65,134
Total Property and Equipment	147,931	152,802
Less Accumulated Depreciation and Amortization	133,484	129,325
Net Property and Equipment	14,447	23,477
<b>INVESTMENTS - DEFERRED COMPENSATION FUND</b>		
	105,066	124,465
Total Assets	\$ 3,742,061	\$ 4,031,490
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 89,108	\$ 110,252
Deferred Lease Allowance	3,962	3,962
Total Current Liabilities	93,070	114,214
<b>DEFERRED LEASE ALLOWANCE</b>		
	4,292	8,254
<b>DEFERRED COMPENSATION OBLIGATION</b>		
	105,066	124,465
Total Liabilities	202,428	246,933
<b>COMMITMENTS</b>		
<b>NET ASSETS</b>		
Unrestricted	1,226,847	1,393,835
Temporarily Restricted	1,551,858	1,629,794
Permanently Restricted	760,928	760,928
Total Net Assets	3,539,633	3,784,557
Total Liabilities and Net Assets	\$ 3,742,061	\$ 4,031,490

See accompanying Notes to Financial Statements.

**ALLIANCE FOR AGING RESEARCH  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2009 AND 2008**

	2009			2008				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE</b>								
Grants	\$ -	\$ 650,772	\$ -	\$ 650,772	\$ 36,000	\$ 757,130	\$ -	\$ 793,130
Contributions	257,916	-	-	257,916	311,037	-	-	311,037
Annual Dinner	330,192	152,500	-	482,692	401,000	94,000	-	495,000
Special Events/Other	1,344	-	-	1,344	196,223	-	-	196,223
Interest Income	88,372	-	-	88,372	160,348	-	-	160,348
Publications	4,386	-	-	4,386	9,785	-	-	9,785
Net Assets Released from Program Restrictions	881,208	(881,208)	-	-	974,873	(974,873)	-	-
Total Revenue	1,563,418	(77,936)	-	1,485,482	2,089,266	(123,743)	-	1,965,523
<b>EXPENSES</b>								
Program Services:								
Health Education	613,696	-	-	613,696	728,033	-	-	728,033
Communications	61,299	-	-	61,299	117,399	-	-	117,399
Public Policy	332,424	-	-	332,424	330,838	-	-	330,838
Research and Professional Education	7,543	-	-	7,543	2,517	-	-	2,517
Supporting Services:								
Management and General	535,750	-	-	535,750	587,543	-	-	587,543
Fundraising	179,556	-	-	179,556	256,605	-	-	256,605
Total Expenses	1,730,268	-	-	1,730,268	2,022,935	-	-	2,022,935
Change in Net Assets Before Unrealized Loss on Investments	(166,850)	(77,936)	-	(244,786)	66,331	(123,743)	-	(57,412)
Unrealized Loss on Investments	(138)	-	-	(138)	(3,751)	-	-	(3,751)
<b>CHANGE IN NET ASSETS</b>	(166,988)	(77,936)	-	(244,924)	62,580	(123,743)	-	(61,163)
<b>NET ASSETS - BEGINNING OF YEAR</b>	1,393,835	1,629,794	760,928	3,784,557	1,331,255	1,753,537	760,928	3,845,720
<b>NET ASSETS - END OF YEAR</b>	\$ 1,226,847	\$ 1,551,858	\$ 760,928	\$ 3,539,633	\$ 1,393,835	\$ 1,629,794	\$ 760,928	\$ 3,784,557

See accompanying Notes to Financial Statements.

**ALLIANCE FOR AGING RESEARCH  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2009 AND 2008**

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (244,924)	\$ (61,163)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	11,328	15,127
Unrealized Losses on Investments	138	3,751
Amortization of Deferred Lease Allowance	(3,962)	(3,632)
Changes in Assets and Liabilities:		
Pledges Receivable	60,000	216,476
Other Receivables	(62,523)	(20,339)
Prepaid Expenses and Other Assets	(4,951)	6,475
Accounts Payable and Accrued Expenses	(28,644)	11,942
Deferred Compensation Obligation	(11,899)	7,811
Net Cash Provided by (Used in) Operating Activities	(285,437)	176,448
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments and Deferred Compensation Investments	(2,125,740)	(1,252,271)
Proceeds from Sales and Maturities of Investments	2,605,175	2,414,330
Purchases of Property and Equipment	(2,298)	(1,992)
Net Cash Provided by Investing Activities	477,137	1,160,067
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	191,700	1,336,515
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	2,902,113	1,565,598
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,093,813	\$ 2,902,113

See accompanying Notes to Financial Statements.

**ALLIANCE FOR AGING RESEARCH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Alliance for Aging Research (the "Organization") is a non-profit organization incorporated in the District of Columbia in 1986. The Organization is dedicated to improving the health and independence of Americans as they age through public and private funding of medical research and geriatric education.

**Estimates**

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

**Income Taxes**

The Organization is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization that is not a private foundation under Section 509(a)(1) of the Code.

The Organization has elected to defer application of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*. The Organization follows Financial Accounting Standard No. 5, *Accounting for Contingencies*, for evaluating uncertain tax provisions.

**Cash and Cash Equivalents**

For financial statement purposes, the Organization considers cash and cash equivalents to include cash in banks and money market funds held in its investment account.

**Receivables**

Accounts and pledges receivable are recorded at their net realizable value. Accounts over 90 days past due are analyzed for collectibility and when all collection efforts have been exhausted, the account is written off against bad debt expense. Management estimates that all receivables are fully collectible. Therefore, no allowance for doubtful accounts has been recognized.

**Investments**

Investments are recorded at fair market value. Accordingly, unrealized gains and losses due to market fluctuations during the year are reflected in the statement of activities. Realized gains or losses are recognized upon sale or disposal. The Organization's policy is to report net unrealized gains or losses on investments below changes in net assets before unrealized gain/loss on investments on the statement of activities.

**ALLIANCE FOR AGING RESEARCH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value of Financial Instruments**

**Fair Value Measurements**

SFAS No. 157, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. The Organization accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. The Organization accounts for certain financial assets and liabilities at fair value under various accounting literature, including SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. The Organization also accounts for certain assets at fair value under applicable industry guidance.

**Fair Value Hierarchy**

In accordance with SFAS No. 157, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the Statements of Financial Position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

*Level 2* – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include among others, quoted prices for similar assets or liabilities in active market or non-active market.

*Level 3* – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

**Property and Equipment**

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets of 3 to 5 years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated lives of the related assets or the remaining lease term. All acquisitions greater than \$1,000 with expected lives exceeding one year are capitalized.

**ALLIANCE FOR AGING RESEARCH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets**

To ensure the observance of limitations and restrictions placed on the use of resources available to the Organization, its net assets and revenue have been classified into net asset groups based on the existence or absence of donor-imposed restrictions. The classes of net assets are as follows:

*Unrestricted:* Represents resources of the Organization available to support general operations.

*Temporarily Restricted:* Represents resources that result from contributions limited to use by donor-imposed stipulations. Such restrictions either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

*Permanently Restricted:* Represents contributions received from donors who have specified that the corpus of their original gifts be maintained in perpetuity. The net earnings from the investment of the corpus are unrestricted for the purpose of funding general operations as directed by the donor.

**Temporarily Restricted Support**

The Organization's policy is to report all donor-restricted contributions as temporarily restricted support even if those restrictions are met in the same reporting period the contributions are received.

**Functional Allocation of Expenses**

The costs of providing programs and supporting services are summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Uniform Prudent Management of Institutional Funds Act**

During 2008 Washington, DC enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In August 2008 the FASB released FASB Staff Position 117-1 (FSP 117-1) which provides guidance on the classification of endowment fund net assets for states that have enacted versions of UPMIFA. Under UPMIFA all unappropriated endowment fund assets are considered restricted.

**NOTE 2 CONCENTRATION OF CREDIT RISK**

Financial instruments which subject the Organization to concentrations of credit risk consist of demand deposit and savings accounts with a financial institution which may at times exceed federally insured limits.

**ALLIANCE FOR AGING RESEARCH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**NOTE 3 PLEDGES RECEIVABLES**

Pledges receivable at June 30, 2009 and 2008 represent current unconditional amounts pledged to the Organization. All pledges are expected to be collected within one year from the time the commitment was made.

**NOTE 4 INVESTMENTS**

Investments are recorded at fair market value and are comprised of the following at June 30, 2009 and 2008:

	2009		2008	
	Cost	Market	Cost	Market
Certificates of Deposit	\$ 395,000	\$ 404,914	\$ 866,000	\$ 865,843
Equities	-	2,320	-	1,565
	<u>\$ 395,000</u>	<u>\$ 407,234</u>	<u>\$ 866,000</u>	<u>\$ 867,408</u>

**NOTE 5 FAIR VALUE HIERARCHY**

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2009:

	Level 1	Level 2	Level 3	Total
Investments	<u>\$ 2,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,320</u>

*\* Certificates of Deposits are not included in this presentation.*

**NOTE 6 DEFERRED COMPENSATION**

Under a deferred compensation agreement, certain employees participate or will become eligible to participate based on the number of years employed with the Organization. The Organization periodically transfers amounts to established funds as determined by the Board of Directors. Investments held for deferred compensation obligations are recorded at market value. Contributions to the Plan amounted to \$2,500 and \$7,500 for the years ended June 30, 2009 and 2008, respectively.

**ALLIANCE FOR AGING RESEARCH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**NOTE 7 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following programs at June 30, 2009 and 2008:

	2009	2008
Health Education	\$ 971,345	\$ 1,104,295
Public Policy	378,851	355,031
Communications	17,146	36,909
Fundraising	152,500	94,000
Research and Professional Education	32,016	39,559
	\$ 1,551,858	\$ 1,629,794

When expenditures are made in accordance with donor's restrictions, funds are released from the restriction and are reclassified to unrestricted net assets in the current period's statement of activities.

**NOTE 8 COMMITMENTS**

**Office Lease Commitment**

The Organization extended its operating lease term for office space by entering into the first amendment beginning July 27, 2001. The term of the lease is for ten years, expiring July 31, 2011, and is subject to an annual base rent increase as scheduled in the lease agreement. In connection with the extension of the lease term, the landlord had agreed to provide the Organization with an allowance in the amount of \$39,620 to be used for office space improvements.

In accordance with SFAS No. 13, *Accounting for Leases*, the allowance amount has been deferred and is being amortized over the life of the lease. The unamortized portions resulting from the difference between the amounts paid and expensed comprise the deferred lease allowance on the statements of financial position.

As of June 30, 2009, future minimum rental payments under the office lease are as follows:

2010	\$ 144,705
2011	147,599
2012	12,320
	\$ 292,304

Office rent expense for the years ended June 30, 2009 and 2008 was \$188,542 and \$173,147, respectively.

**ALLIANCE FOR AGING RESEARCH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**NOTE 8 COMMITMENTS (CONTINUED)**

**Hotel Commitment**

The Organization has entered into an agreement with a hotel for its future annual convention. This agreement indicated the Organization would be liable for certain cancellation fees and liquidated damages in the event of cancellation. The maximum potential liability under this agreement at June 30, 2009 totaled approximately \$3,000.

**NOTE 9 RETIREMENT PLAN**

The Organization sponsors a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code, which covers all AAR employees. Employees, if they wish, may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Organization is not required to match participant contributions. For the years ended June 30, 2009 and 2008, no contributions were made to the plan by the Organization.

**NOTE 10 RELATED PARTY TRANSACTIONS**

The Board of Directors made contributions to the Organization in the amounts of \$188,250 and \$305,000 for the years ended June 30, 2009 and 2008, respectively.

**NOTE 11 ENDOWMENT**

The Organization has donor-restricted endowment funds. As required by GAAP, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Organization has interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considered all amounts earned on the endowment fund to be appropriated for current use.

The Organization's endowment investment policy is focused on preservation of capital and amounts are invested in certificates of deposit and money market funds.

**ALLIANCE FOR AGING RESEARCH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**NOTE 11 ENDOWMENT (CONTINUED)**

The following is a summary of endowment funds subject to UPMIFA for the year ended June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2008	\$ -	\$ -	\$ 760,928	\$ 760,928
Investment income	-	18,262	-	18,262
Appropriations	-	(18,262)	-	(18,262)
Endowment net assets, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 760,928</u>	<u>\$ 760,928</u>

**NOTE 12 SUBSEQUENT EVENTS**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 30, 2009, the date the financial statements were issued.

**NOTE 13 EFFECT OF CURRENT ECONOMIC CONDITIONS ON CONTRIBUTIONS AND GRANTS**

The Organization received approximately 61% of its revenues from contributions and grants for the year ended June 30, 2009. The ability of certain contributors to continue providing amounts comparable with prior years may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of contributions to the Organization. While management believes that the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.