

ALLIANCE FOR AGING RESEARCH
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

**ALLIANCE FOR AGING RESEARCH
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2010 AND 2009**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5



CPAs, Consultants & Advisors
www.larsonallen.com

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, 2010 and 2009, 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, 2010 and 2009, 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 15, 2010

**ALLIANCE FOR AGING RESEARCH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009**

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,489,954	\$ 3,093,813
Pledges Receivable	107,500	20,000
Other Receivables	1,420	87,267
Investments	205,884	407,234
Prepaid Expenses and Other Assets	20,352	14,234
Total Current Assets	3,825,110	3,622,548
PROPERTY AND EQUIPMENT		
Furniture and Office Equipment	50,581	50,581
Computer Equipment and Software	32,216	32,216
Leasehold Improvements	65,134	65,134
Total Property and Equipment	147,931	147,931
Less Accumulated Depreciation and Amortization	142,871	133,484
Net Property and Equipment	5,060	14,447
INVESTMENTS - DEFERRED COMPENSATION FUND		
	116,263	105,066
Total Assets	\$ 3,946,433	\$ 3,742,061
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 57,802	\$ 89,108
Deferred Lease Allowance	3,962	3,962
Total Current Liabilities	61,764	93,070
DEFERRED LEASE ALLOWANCE		
	706	4,292
DEFERRED COMPENSATION OBLIGATION		
	116,263	105,066
Total Liabilities	178,733	202,428
COMMITMENTS		
NET ASSETS		
Unrestricted	1,182,122	1,226,847
Temporarily Restricted	1,824,650	1,551,858
Permanently Restricted	760,928	760,928
Total Net Assets	3,767,700	3,539,633
Total Liabilities and Net Assets	\$ 3,946,433	\$ 3,742,061

See accompanying Notes to Financial Statements.

**ALLIANCE FOR AGING RESEARCH
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2010 AND 2009**

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Grants	\$ -	\$ 949,765	\$ -	\$ 949,765	\$ -	\$ 650,772	\$ -	\$ 650,772
Contributions	256,091	-	-	256,091	257,916	-	-	257,916
Annual Dinner	301,250	60,000	-	361,250	330,192	152,500	-	482,692
Special Events/Other	7,151	-	-	7,151	1,344	-	-	1,344
Interest Income	72,087	-	-	72,087	88,372	-	-	88,372
Publications	2,216	-	-	2,216	4,386	-	-	4,386
Net Assets Released from Program Restrictions	736,973	(736,973)	-	-	881,208	(881,208)	-	-
Total Revenue	1,375,768	272,792	-	1,648,560	1,563,418	(77,936)	-	1,485,482
EXPENSES								
Program Services:								
Health Education	488,705	-	-	488,705	613,696	-	-	613,696
Communications	18,807	-	-	18,807	61,299	-	-	61,299
Public Policy	300,010	-	-	300,010	332,424	-	-	332,424
Research and Professional Education	32,356	-	-	32,356	7,543	-	-	7,543
	<u>839,878</u>	<u>-</u>	<u>-</u>	<u>839,878</u>	<u>1,014,962</u>	<u>-</u>	<u>-</u>	<u>1,014,962</u>
Supporting Services:								
Management and General	416,967	-	-	416,967	535,750	-	-	535,750
Fundraising	159,298	-	-	159,298	179,556	-	-	179,556
	<u>576,265</u>	<u>-</u>	<u>-</u>	<u>576,265</u>	<u>715,306</u>	<u>-</u>	<u>-</u>	<u>715,306</u>
Total Expenses	1,416,143	-	-	1,416,143	1,730,268	-	-	1,730,268
Change in Net Assets Before Unrealized Loss on Investments	(40,375)	272,792	-	232,417	(166,850)	(77,936)	-	(244,786)
Unrealized Loss on Investments	(4,350)	-	-	(4,350)	(138)	-	-	(138)
CHANGE IN NET ASSETS	(44,725)	272,792	-	228,067	(166,988)	(77,936)	-	(244,924)
Net Assets - Beginning of Year	1,226,847	1,551,858	760,928	3,539,633	1,393,835	1,629,794	760,928	3,784,557
NET ASSETS - END OF YEAR	\$ 1,182,122	\$ 1,824,650	\$ 760,928	\$ 3,767,700	\$ 1,226,847	\$ 1,551,858	\$ 760,928	\$ 3,539,633

See accompanying Notes to Financial Statements.

**ALLIANCE FOR AGING RESEARCH
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 228,067	\$ (244,924)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	9,387	11,328
Unrealized Losses on Investments	4,350	138
Amortization of Deferred Lease Allowance	(3,586)	(3,962)
Changes in Assets and Liabilities:		
Pledges Receivable	(87,500)	60,000
Other Receivables	85,847	(62,523)
Prepaid Expenses and Other Assets	(6,118)	(4,951)
Accounts Payable and Accrued Expenses	(31,306)	(28,644)
Net Cash Provided by (Used in) Operating Activities	199,141	(273,538)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	-	(2,137,639)
Proceeds from Sales and Maturities of Investments	197,000	2,605,175
Purchases of Property and Equipment	-	(2,298)
Net Cash Provided by Investing Activities	197,000	465,238
NET INCREASE IN CASH AND CASH EQUIVALENTS	396,141	191,700
Cash and Cash Equivalents - Beginning of Year	3,093,813	2,902,113
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,489,954	\$ 3,093,813

See accompanying Notes to Financial Statements.

**ALLIANCE FOR AGING RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

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.

Effective July 1, 2009, the Organization adopted a policy that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be recognized. The implementation of this policy had no impact on the financial statements.

The tax returns for the Organization are subject to review and examination by federal, state and local authorities. The tax returns for the fiscal years 2007 to 2009 are open for examination by federal, state and local authorities.

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, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

Fair Value Measurements

The Organization measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Fair Value Hierarchy

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Association may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

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.

The asset or liability'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. There have been no changes in the valuation methodologies used at June 30, 2010.

**ALLIANCE FOR AGING RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 15, 2010, the date the financial statements were available to be issued.

**ALLIANCE FOR AGING RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

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.

NOTE 3 PLEDGES RECEIVABLES

Pledges receivable at June 30, 2010 and 2009 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, 2010 and 2009:

	2010		2009	
	Cost	Market	Cost	Market
Certificates of Deposit	\$ 198,000	\$ 204,532	\$ 395,000	\$ 404,914
Equities	-	1,352	-	2,320
	<u>\$ 198,000</u>	<u>\$ 205,884</u>	<u>\$ 395,000</u>	<u>\$ 407,234</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. 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:

	2010			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 204,532	\$ -	\$ -	\$ 204,532
Equities	1,352	-	-	1,352
	<u>\$ 205,884</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,884</u>
	2009			
Certificates of Deposit	\$ 404,914	\$ -	\$ -	\$ 404,914
Equities	2,320	-	-	2,320
	<u>\$ 407,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 407,234</u>

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.

**ALLIANCE FOR AGING RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 6 DEFERRED COMPENSATION (CONTINUED)

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 \$0 and \$2,500 for the years ended June 30, 2010 and 2009, respectively.

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following programs at June 30, 2010 and 2009:

<u>Program Restricted</u>	<u>2009</u>	<u>Additions</u>	<u>Releases</u>	<u>2010</u>
Health Education	\$ 971,345	\$ 547,500	\$(418,446)	\$1,100,399
Public Policy	378,851	402,265	(117,819)	663,297
Communications	17,146	-	(17,146)	-
Research and Professional Education	32,016	-	(31,062)	954
Annual Dinner	152,500	60,000	(152,500)	60,000
	<u>\$1,551,858</u>	<u>\$1,009,765</u>	<u>\$(736,973)</u>	<u>\$1,824,650</u>

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.

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, 2010, future minimum rental payments under the office lease are as follows:

2011	\$ 117,120
2012	9,760
	<u>\$ 126,880</u>

Office rent expense for the years ended June 30, 2010 and 2009 was \$171,374 and \$188,542, respectively.

**ALLIANCE FOR AGING RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 8 COMMITMENTS (CONTINUED)

Hotel Commitment

The Organization has entered into an agreement with a hotel for its future annual dinner. 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, 2010 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, 2010 and 2009, 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 \$185,000 and \$188,250 for the years ended June 30, 2010 and 2009, 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, 2010 AND 2009**

NOTE 11 ENDOWMENT (CONTINUED)

The following is a summary of endowment funds subject to UPMIFA for the year ended June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2009	\$ -	\$ -	\$ 760,928	\$ 760,928
Investment income	-	14,458	-	14,458
Appropriations	-	(14,458)	-	(14,458)
Endowment net assets, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 760,928</u>	<u>\$ 760,928</u>

NOTE 12 EFFECT OF CURRENT ECONOMIC CONDITIONS ON CONTRIBUTIONS AND GRANTS

The Organization received approximately 73% of its revenues from contributions and grants for the year ended June 30, 2010. 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.