



Catalyzing Innovation for Healthy Aging

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

ALLIANCE FOR AGING RESEARCH

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DECEMBER 31, 2019 AND 2018

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Independent Auditors' Report

To the Board of Directors
Alliance for Aging Research
Washington, D.C.

We have audited the accompanying financial statements of Alliance for Aging Research (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alliance for Aging Research as of December 31, 2019 and 2018, 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.

To the Board of Directors
Alliance for Aging Research

Prior Period Restatement

As described in Note 13 to the financial statements, corrections were made to prior year 2018 donated goods and services revenue and advertising and marketing expenses to recognize the value of in-kind public service announcements for 2018. Our opinion is not modified with respect to that matter.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
June 10, 2020

Certified Public Accountants

ALLIANCE FOR AGING RESEARCH
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 450,925	\$ 475,618
Grants and Contributions Receivable	534,000	381,500
Investments	2,273,928	1,985,335
Prepaid Expenses and Other Assets	45,016	34,622
Total Current Assets	3,303,869	2,877,075
Property and Equipment		
Furniture and Office Equipment	22,147	22,147
Office Equipment under Capital Lease	23,247	23,247
Computer Equipment and Software	39,245	39,245
Leasehold Improvements	67,566	67,566
Website	102,000	90,000
Total Property and Equipment	254,205	242,205
Less Accumulated Depreciation and Amortization	(138,520)	(106,842)
Net Property and Equipment	115,685	135,363
Total Assets	\$ 3,419,554	\$ 3,012,438
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 170,862	\$ 221,046
Deferred Rent and Lease Incentive	8,952	8,628
Capital Lease Payable	4,216	4,216
Total Current Liabilities	184,030	233,890
Deferred Rent and Lease Incentive, Net of Current Portion	120,360	64,683
Capital Lease Payable, Net of Current Portion	4,820	9,017
Total Liabilities	309,210	307,590
Net Assets		
Without Donor Restrictions	2,329,835	1,845,803
With Donor Restrictions	780,509	859,045
Total Net Assets	3,110,344	2,704,848
Total Liabilities and Net Assets	\$ 3,419,554	\$ 3,012,438

See accompanying Notes to Financial Statements.

ALLIANCE FOR AGING RESEARCH
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Grants and Contributions	\$ 323,958	\$ 2,020,513	\$ 2,344,471	\$ 355,700	\$ 1,786,622	\$ 2,142,322
Donated Goods and Services	3,044,260	-	3,044,260	4,860,611	-	4,860,611
Annual Dinner	464,573	-	464,573	468,595	-	468,595
Interest and Dividend Income	54,910	-	54,910	44,159	-	44,159
Other Income	1,471	-	1,471	2,006	-	2,006
Loss on Disposal of Property and Equipment	-	-	-	(2,403)	-	(2,403)
Net Assets Released from Restrictions	2,099,049	(2,099,049)	-	2,194,045	(2,194,045)	-
Total Revenues	5,988,221	(78,536)	5,909,685	7,922,713	(407,423)	7,515,290
Expenses						
Program	5,197,154	-	5,197,154	6,987,421	-	6,987,421
Management and General	302,353	-	302,353	604,657	-	604,657
Fundraising	249,391	-	249,391	274,659	-	274,659
Total Expenses	5,748,898	-	5,748,898	7,866,737	-	7,866,737
Change in Net Assets before Gain (Loss) on Investments	239,323	(78,536)	160,787	55,976	(407,423)	(351,447)
Gain (Loss) on Investments	244,709	-	244,709	(190,825)	-	(190,825)
Change in Net Assets	484,032	(78,536)	405,496	(134,849)	(407,423)	(542,272)
Net Assets, Beginning of Year	1,845,803	859,045	2,704,848	1,980,652	1,266,468	3,247,120
Net Assets, End of Year	\$ 2,329,835	\$ 780,509	\$ 3,110,344	\$ 1,845,803	\$ 859,045	\$ 2,704,848

See accompanying Notes to Financial Statements.

ALLIANCE FOR AGING RESEARCH

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 734,296	\$ 257,350	\$ 91,070	\$ 1,082,716
Payroll Taxes	60,630	20,840	7,415	88,885
Benefits	83,780	29,363	10,391	123,534
Management Info Systems	5,509	28,882	8,179	42,570
Advertising and Marketing	2,617,705	15,994	615	2,634,314
Dues and Subscriptions	537	14,896	284	15,717
Audio/Visual	14,974	-	17,462	32,436
Consultants	378,791	12,258	17,887	408,936
Pass-Throughs	60,000	-	-	60,000
Professional Fees	609,000	39,329	-	648,329
Honorariums	11,600	-	-	11,600
Donations	41,082	1,845	15,082	58,009
Rent	-	182,346	-	182,346
Supplies	229	5,363	312	5,904
Telephone	2,739	18,553	-	21,292
Printing	23,409	2,193	801	26,403
Depreciation and Amortization	-	31,678	-	31,678
Travel	29,714	5,940	3,175	38,829
Interest Expense	-	1,075	-	1,075
Bank Fees	4	3,242	290	3,536
Meetings/Events	108,805	7,624	75,699	192,128
Website Design	14,630	757	-	15,387
Other Expenses	1,046	14,676	729	16,451
Insurance	-	6,823	-	6,823
Overhead Allocated	398,674	(398,674)	-	-
Total Functional Expenses	\$ 5,197,154	\$ 302,353	\$ 249,391	\$ 5,748,898

See accompanying Notes to Financial Statements.

ALLIANCE FOR AGING RESEARCH

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 588,220	\$ 409,458	\$ 134,804	\$ 1,132,482
Payroll Taxes	42,434	30,280	10,208	82,922
Benefits	62,124	43,243	14,237	119,604
Management Info Systems	268	38,148	4,306	42,722
Advertising and Marketing	4,854,100	24,203	-	4,878,303
Dues and Subscriptions	3,803	19,172	2,731	25,706
Audio/Visual	1,860	-	18,062	19,922
Consultants	714,783	10,361	-	725,144
Professional Fees	106,072	39,842	-	145,914
Honorariums	16,850	-	-	16,850
Donations	92,676	8,656	-	101,332
Rent	-	162,815	-	162,815
Supplies	2,583	9,381	27	11,991
Telephone	3,136	17,985	-	21,121
Printing	22,544	2,847	1,469	26,860
Depreciation and Amortization	-	27,445	-	27,445
Travel	42,672	5,125	6,083	53,880
Interest Expense	-	1,088	-	1,088
Bank Fees	-	4,498	377	4,875
Meetings/Events	133,572	8,818	81,786	224,176
Website Design	12,012	2,385	-	14,397
Other Expenses	6,332	13,795	569	20,696
Insurance	-	6,492	-	6,492
Overhead Allocated	281,380	(281,380)	-	-
Total Functional Expenses	\$ 6,987,421	\$ 604,657	\$ 274,659	\$ 7,866,737

See accompanying Notes to Financial Statements.

ALLIANCE FOR AGING RESEARCH

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	\$ 405,496	\$ (542,272)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	31,678	27,445
Loss on Disposal of Property and Equipment	-	2,403
(Gain) Loss on Investments	(244,709)	190,825
<u>(Increase) Decrease in Assets</u>		
Grants and Contributions Receivable	(152,500)	69,902
Other Receivable	-	67,632
Prepaid Expenses and Other Assets	(10,394)	(3,584)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	(50,184)	72,508
Deferred Rent and Lease Incentive	56,001	(2,737)
Net Cash Provided by (Used in) Operating Activities	35,388	(117,878)
Cash Flows from Investing Activities		
Proceeds from Sales and Maturities of Investments	169,507	1,117,800
Purchases of Investments	(213,391)	(1,100,817)
Purchases of Property and Equipment	(12,000)	(63,769)
Net Cash Used in Investing Activities	(55,884)	(46,786)
Cash Flows from Financing Activities		
Principal Payments on Capital Lease Payable	(4,197)	(4,216)
Net Cash Used in Financing Activities	(4,197)	(4,216)
Net Decrease in Cash and Cash Equivalents	(24,693)	(168,880)
Cash and Cash Equivalents, Beginning of Year	475,618	644,498
Cash and Cash Equivalents, End of Year	\$ 450,925	\$ 475,618
Supplementary Disclosure of Cash Flow Information		
Interest Paid	\$ 1,075	\$ 1,088

See accompanying Notes to Financial Statements.

ALLIANCE FOR AGING RESEARCH

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Consequently, revenue is recognized when earned and expense when the obligation is incurred.

Financial Statement Presentation

The Organization has presented its financial statements in accordance with U.S. Generally Accepted Accounting Principles. Under those principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - resources that are available for general operations and resources designated by the Organization's Board of Directors for approved expenditures.

Net Assets With Donor Restrictions - net assets with donor restrictions are resources that are subject to donor-imposed restriction. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity (endowment).

Use of Estimates

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

Income Tax Status

The Organization is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities and is not considered a "private foundation" by the Internal Revenue Service.

The Organization requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include, or reflect, any uncertain tax positions.

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the taxing authorities generally for three years after filing.

ALLIANCE FOR AGING RESEARCH

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers cash and cash equivalents to include all cash and money market funds, except those held within its investment account.

Grants and Contributions Receivable

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

Investments

Investments consist of mutual funds and equity securities that are recorded at fair value based on quoted market prices on national exchanges.

Property and Equipment

The Organization capitalizes all property and equipment acquisitions of \$1,000 and above. Property and equipment are recorded at cost, if purchased, or at fair market value at date of donation, if contributed. Depreciation is provided using the straight-line method over the estimated useful life of the asset. 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. Expenditures for maintenance and repairs are charged to expense as incurred.

Grants and Contributions

Grants and contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated Goods and Services

Donated goods and services are recognized as contributions if the goods or services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Annual Dinner

Annual dinner sponsorships and ticket sales are recorded as donor restricted if received in advance of the fiscal year of the event. Amounts of donor-restricted contributions are subsequently released to net assets without donor restrictions in the year of the event.

ALLIANCE FOR AGING RESEARCH

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing programs and supporting services have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, benefits, and general expenses, which are allocated on the basis of estimates of time and effort by employees. Expenses directly identifiable to specific programs and supporting activities are presented accordingly.

2. RELATED PARTY TRANSACTIONS

The Board of Directors made contributions to the Organization totaling \$302,500 and \$357,500 for the years ended December 31, 2019 and 2018, respectively. Outstanding amounts related to these contributions is included in contributions receivable, totaled \$87,500 and \$175,000 at December 31, 2019 and 2018, respectively.

The Organization also received grants or sponsorships from companies or individuals who employ or are otherwise affiliated with the Board of Directors in of \$1,406,500 and \$625,000 for the years ended December 31, 2019 and 2018, respectively. The outstanding amounts related to these grants and sponsorships is included in grants receivable and totaled \$371,500 and \$75,000 at December 31, 2019 and 2018, respectively.

3. ADOPTION OF ACCOUNTING STANDARDS

Adoption of Accounting Standards Update in 2018

For the year ended December 31, 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification and provides information about liquidity and availability of resources. The changes required by the update have been applied retrospectively to all periods presented. A key change under ASU 2016-14 is the terminology of net asset classes used in these financial statements. Amounts previously reported as temporarily and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis.

Adoption of New Accounting Pronouncements in 2019

During the year ended December 31, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. Management believes that the adoption of this standard provides better consistency and comparability across non-profit and for-profit entities. The standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaces most existing revenue recognition guidance in U.S. GAAP. This change in accounting principle was adopted on a

ALLIANCE FOR AGING RESEARCH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

3. ADOPTION OF ACCOUNTING STANDARDS (CONTINUED)

Adoption of New Accounting Pronouncements in 2019 (Continued)

modified prospective basis in 2019. Analysis of the various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue; however, the presentation and disclosure of revenue has been enhanced.

During the year ended December 31, 2019, the Organization adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides additional guidance in (1) evaluating whether transactions should be accounted for as contributions (within the scope of ASC 958) or as exchange (reciprocal) transactions (subject to ASC 606); and (2) distinguishing between conditional and unconditional contributions. Management believes that the adoption of this ASU enhances the comparability of financial information among not-for-profit entities. This change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2019. The impact of adoption was not material to the financial statements.

4. CONCENTRATIONS

The Organization maintains cash balances with a financial institution which at times during the year exceeded the Federal Deposit Insurance Corporation insurance limit. Management believes the risk in these situations to be minimal.

As of December 31, 2019, three donors comprised approximately 79% of grants and contributions receivable. As of December 31, 2018, two donors comprised approximately 60% of grants and contributions receivable.

5. DONATED GOODS AND SERVICES

For the year ended December 31, 2019, the fair value of donated goods and services are included in donated goods and services in the statements of activities. The expenses for the year ended December 31, 2019, are as follows:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Special Events	\$ -	\$ 728	\$ -	\$ 728
Advertising and Marketing	2,419,532	-	-	2,419,532
Donations	-	-	15,000	15,000
Professional Fees	609,000	-	-	609,000
Total Donated Goods and Services	\$ 3,028,532	\$ 728	\$ 15,000	\$ 3,044,260

ALLIANCE FOR AGING RESEARCH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

5. DONATED GOODS AND SERVICES (CONTINUED)

For the year ended December 31, 2018, the fair value of donated goods and services are included in donated goods and services in the statements of activities. The expenses for the year ended December 31, 2018, are as follows:

	Program	Management and General	Fundraising	Total
Other Expenses	\$ 1,625	\$ 4,875	\$ -	\$ 6,500
Donations	7,500	-	-	7,500
Special Events	-	1,258	-	1,258
Advertising and Marketing	4,741,800	2,481	-	4,744,281
Professional Fees	101,072	-	-	101,072
Total Donated Goods and Services	<u>\$ 4,851,997</u>	<u>\$ 8,614</u>	<u>\$ -</u>	<u>\$ 4,860,611</u>

The 2018 advertising and marketing expense has been restated to reflect the value of in-kind public service announcements. See Note 13 to the financial statements.

6. FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities or mutual funds);

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and split-interest agreements).

Financial Risk

The Organization invests in professionally managed portfolios that contain mutual funds. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amount reported in the financial statements.

The following presents the Organization's assets and liabilities measured at fair value as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 78,917	\$ -	\$ -	\$ 78,917
Mutual Funds - Stock Funds	1,287,759	-	-	1,287,759
Mutual Funds - Bond Funds	782,901	-	-	782,901
Exchange Traded Products (ETFs)	124,351	-	-	124,351
	<u>\$ 2,273,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,273,928</u>

ALLIANCE FOR AGING RESEARCH

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

6. FAIR VALUE MEASUREMENTS (CONTINUED)

The following presents the Organization's assets and liabilities measured at fair value as of December 31, 2018.

	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 290,825	\$ -	\$ -	\$ 290,825
Mutual Funds - Stock Funds	894,185	-	-	894,185
Mutual Funds - Bond Funds	680,317	-	-	680,317
Exchange Traded Products (ETFs)	120,008	-	-	120,008
	\$ 1,985,335	\$ -	\$ -	\$ 1,985,335

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to Expenditures for Specific Purpose	2019	2018
Program	\$ 780,509	\$ 859,045
Total Purpose Restriction	\$ 780,509	\$ 859,045

8. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31, 2019 and 2018:

Subject to Expenditures for Specific Purpose	2019	2018
Program	\$ 2,099,049	\$ 2,194,045
Total Releases	\$ 2,099,049	\$ 2,194,045

9. COMMITMENTS

Operating Lease

The Organization has an operating lease (the Lease) for office space in Washington, D.C. that was to expire on December 15, 2018. In June 2017, the Organization extended the Lease effective December 16, 2018 through April 15, 2026. Under the terms of the Lease, the Organization will receive four months of abated rent. Under the terms of the Lease, the base rent increases annually based on scheduled increases provided for in the Lease. In addition, the lessor provided lease incentives totaling approximately \$66,000.

Under accounting principles generally accepted in the United States of America (GAAP), all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the Lease. Lease incentives are amortized over the life of the Lease on a straight-line basis as an offset to rent expense. The difference between the GAAP rent expense and the required lease payments, as well as any unamortized lease incentives, are reflected as deferred rent and lease incentive in the accompanying statement of financial position.

ALLIANCE FOR AGING RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

9. COMMITMENTS (CONTINUED)

Operating Lease (Continued)

Future minimum payments under this lease are as follows:

<u>For the Years Ending December 31,</u>	<u>Minimum Lease Payments</u>
2020	\$ 182,901
2021	187,473
2022	192,160
2023	196,964
2024	201,888
Thereafter	268,736
Total	<u>\$ 1,230,122</u>

Capital Lease

The Organization is the lessee of certain office equipment under a capital lease. The Organization is obligated under the capital lease through 2021. The asset and liability under the capital lease is recorded at the present value of the minimum lease payments. The asset is amortized over the lesser of the estimated useful life or the lease term. Amortization of the asset under the capital lease is included in depreciation and amortization expense. The accumulated amortization was approximately \$15,000 and \$11,000 as of December 31, 2019 and 2018, respectively.

Future minimum lease payments under the capital lease as of December 31, 2019, are as follows:

<u>For the Years Ending December 31,</u>	<u>Minimum Lease Payments</u>
2020	\$ 5,616
2021	4,212
Total Minimum Lease Payments	9,828
Less Amount Representing Interest	(792)
Present Value of Total Minimum Lease Payments	<u>\$ 9,036</u>

10. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's cash flows have seasonal variations due to the timing of grants, contributions, and vendor payments. The Organization manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due. Excess cash flows not needed for day-to-day operations are invested.

ALLIANCE FOR AGING RESEARCH

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

10. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

As of December 31, 2019 and 2018, the following financial assets and liquidity sources are available for general operating expenditures for the years ending December 31, 2020 and 2019:

<i>Financial Assets at Year End</i>	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 450,925	\$ 475,618
Grants and Contributions Receivable	534,000	381,500
Investments	2,273,928	1,985,335
Less With Donor Purpose Restrictions	<u>(780,509)</u>	<u>(859,045)</u>
Total Financial Assets and Liquidity Resources Available within One Year	<u>\$ 2,478,344</u>	<u>\$ 1,983,408</u>

The 2018 liquidity disclosure was restated to include with donor purpose restrictions.

11. RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan (the Plan) which covers all eligible employees. Employees may make elective deferrals to the Plan up to the maximum amount allowed by the Internal Revenue Code. The Organization is required to match participant contributions not to exceed 4% of the participant's compensation. During the years ended December 31, 2019 and 2018, the Organization made contributions of approximately \$30,700 and \$23,600, respectively, to the Plan.

12. EMPLOYMENT AGREEMENT

In December 2019, the Organization renewed its employment agreement (the Agreement) with its President and Chief Executive Officer (CEO) that provides for annual salary and fringe benefits. The Agreement is effective from January 1, 2020 through December 31, 2020, and automatically renews for additional one-year periods unless cancelled. If the agreement is terminated early by the Organization, the CEO will receive a minimum of three and a maximum of twelve months of full compensation based upon the years of tenure.

13. PRIOR PERIOD RESTATEMENT

During 2019, the Organization became aware that the value of their Public Service Announcements (PSAs) should be recognized and recorded as in-kind contributions. This restatement resulted in an increase to donated goods and services revenue of \$4,709,830 and a corresponding increase to advertising and marketing expenses for 2018. The restatement to 2018 had no effect on opening net assets.

14. SUBSEQUENT EVENTS

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and companies around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility, and this may continue for an extended period of time. In light of these circumstances, management continues to assess how best to adapt to changed circumstances.

ALLIANCE FOR AGING RESEARCH

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

14. SUBSEQUENT EVENTS (CONTINUED)

The Organization has received a Small Business Administration (SBA) loan under the Paycheck Protection Program (PPP) in the amount of \$211,742. PPP provides cash flow assistance through 100% federally guaranteed loans to eligible recipients to maintain payroll during the COVID-19 public health emergency and cover certain other expenses. If the Organization maintains its workforce and meets certain requirements, up to 100% of the loan may be forgiven by the SBA. No more than 40% of the forgiven amount may be for non-payroll costs. Loans under PPP have an interest rate of 1% and may negotiate to a five-year maturity date, if not forgiven.

The Organization has evaluated subsequent events through June 10, 2020, the date on which the financial statements were available to be issued.