ALLIANCE FOR AGING RESEARCH

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

ALLIANCE FOR AGING RESEARCH
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2011 AND 2010

LarsonAllen LLP

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, 2011 and 2010, 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, 2011 and 2010, 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.

As discussed in Note 12 to the financial statements, a pledge was awarded to the Organization in June 2010 but was not recognized as revenue until August 2010. Accordingly, pledges receivable was understated by $50,000 at June 30, 2010. Therefore, the fiscal year 2010 financial statements have been restated to correct this error.

LarsonAllen LLP

LarsonAllen LLP

Arlington, Virginia
September 14, 2011

ALLIANCE FOR AGING RESEARCH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	2011	2010 (as restated)
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 4,146,302	$ 3,489,954
Pledges Receivable	-	157,500
Other Receivables	315	1,420
Investments	101,462	205,884
Prepaid Expenses and Other Assets	13,106	20,352
Total Current Assets	4,261,185	3,875,110
PROPERTY AND EQUIPMENT		
Furniture and Office Equipment	-	50,581
Computer Equipment and Software	13,622	32,216
Leasehold Improvements	-	65,134
Total Property and Equipment	13,622	147,931
Less Accumulated Depreciation and Amortization	2,270	142,871
Net Property and Equipment	11,352	5,060
INVESTMENTS - DEFERRED COMPENSATION FUND	141,018	116,263
Total Assets	$ 4,413,555	$ 3,996,433
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 71,949	$ 57,802
Deferred Lease Allowance	-	3,962
Total Current Liabilities	71,949	61,764
DEFERRED LEASE ALLOWANCE, LESS CURRENT PORTION	-	706
DEFERRED COMPENSATION OBLIGATION	141,018	116,263
Total Liabilities	212,967	178,733
NET ASSETS		
Unrestricted	1,022,291	1,182,122
Temporarily Restricted	2,417,369	1,874,650
Permanently Restricted	760,928	760,928
Total Net Assets	4,200,588	3,817,700
Total Liabilities and Net Assets	$ 4,413,555	$ 3,996,433

See accompanying Notes to Financial Statements.

ALLIANCE FOR AGING RESEARCH
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2011 AND 2010

	2011				2010 (as restated)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Grants	$ -	$ 1,220,499	$ -	$ 1,220,499	$ -	$ 999,765	$ -	$ 999,765
Contributions	81,748	-	-	81,748	256,091	-	-	256,091
Annual Dinner	326,500	135,000	-	461,500	301,250	60,000	-	361,250
Special Events/Other	2,514	-	-	2,514	7,151	-	-	7,151
Interest Income	62,637	-	-	62,637	72,087	-	-	72,087
Publications	691	-	-	691	2,216	-	-	2,216
Donated Rental Space	61,985	-	-	61,985	-	-	-	-
Net Assets Released from Program Restrictions	812,780	(812,780)	-	-	736,973	(736,973)	-	-
Total Revenue	1,348,855	542,719	-	1,891,574	1,375,768	322,792	-	1,698,560
EXPENSES								
Program Services:								
Health Education	554,099	-	-	554,099	488,705	-	-	488,705
Communications	10,068	-	-	10,068	18,807	-	-	18,807
Public Policy	419,225	-	-	419,225	300,010	-	-	300,010
Research and Professional Education	-	-	-	-	32,356	-	-	32,356
	983,392	-	-	983,392	839,878	-	-	839,878
Supporting Services:								
Management and General	393,598	-	-	393,598	416,967	-	-	416,967
Fundraising	128,625	-	-	128,625	159,298	-	-	159,298
	522,223	-	-	522,223	576,265	-	-	576,265
Total Expenses	1,505,615	-	-	1,505,615	1,416,143	-	-	1,416,143
Change in Net Assets Before Unrealized Loss on Investments	(156,760)	542,719	-	385,959	(40,375)	322,792	-	282,417
Unrealized Loss on Investments	(3,071)	-	-	(3,071)	(4,350)	-	-	(4,350)
CHANGE IN NET ASSETS	(159,831)	542,719	-	382,888	(44,725)	322,792	-	278,067
Net Assets - Beginning of Year	1,182,122	1,874,650	760,928	3,817,700	1,226,847	1,551,858	760,928	3,539,633
NET ASSETS - END OF YEAR	$ 1,022,291	$ 2,417,369	$ 760,928	$ 4,200,588	$ 1,182,122	$ 1,874,650	$ 760,928	$ 3,817,700

See accompanying Notes to Financial Statements.

ALLIANCE FOR AGING RESEARCH
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010 (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 382,888	$ 278,067
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	7,330	9,387
Realized and Unrealized Losses on Investments	3,066	4,350
Amortization of Deferred Lease Allowance	(4,668)	(3,586)
Changes in Assets and Liabilities:		
Pledges Receivable	157,500	(137,500)
Other Receivables	1,105	85,847
Prepaid Expenses and Other Assets	7,246	(6,118)
Accounts Payable and Accrued Expenses	14,147	(31,306)
Net Cash Provided by Operating Activities	568,614	199,141
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	101,356	197,000
Purchases of Property and Equipment	(13,622)	-
Net Cash Provided by Investing Activities	87,734	197,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	656,348	396,141
Cash and Cash Equivalents - Beginning of Year	3,489,954	3,093,813
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,146,302	$ 3,489,954

See accompanying Notes to Financial Statements.

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 tax returns for the Organization are subject to review and examination by federal, state and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The tax returns for the fiscal years 2008 to 2010 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 statements of activities.

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, 2011.

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 14, 2011, the date the financial statements were available to be issued.

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 RECEIVABLE

Pledges receivable at June 30, 2010, 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, 2011 and 2010:

	2011		2010	
	Cost	Market	Cost	Market
Mutual Funds - Fixed Income	$ 30,486	$ 31,436	$ 32,305	$ 33,315
Mutual Funds - Equity	97,806	109,582	90,059	82,948
Certificates of Deposit	98,000	101,462	198,000	204,532
Equities	-	-	-	1,352
	$ 226,292	$ 242,480	$ 320,364	$ 322,147

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:

	2011			
	Level 1	Level 2	Level 3	Total
Mutual Funds - Fixed Income	$ 31,436	$ -	$ -	$ 31,436
Mutual Funds - Equity	109,582	-	-	109,582
Certificates of Deposit	101,462	-	-	101,462
	$ 242,480	$ -	$ -	$ 242,480
	2010			
Mutual Funds - Fixed Income	$ 33,315	$ -	$ -	$ 33,315
Mutual Funds - Equity	82,948	-	-	82,948
Certificates of Deposit	204,532	-	-	204,532
Equities	1,352	-	-	1,352
	$ 322,147	$ -	$ -	$ 322,147

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. For the years ended June 30, 2011 and 2010, no contributions were made to the plan by the Organization.

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following programs at June 30, 2011 and 2010:

	2010	Additions	Releases	2011
Program Restricted				
Health Education	$1,100,399	$ 910,499	$(489,716)	$1,521,182
Public Policy	713,297	310,000	(263,064)	760,233
Research and Professional Education	954	-	-	954
Annual Dinner	60,000	135,000	(60,000)	135,000
	$1,874,650	$1,355,499	$(812,780)	$2,417,369

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 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, 2011 and 2010, no contributions were made to the plan by the Organization.

NOTE 9 RELATED PARTY TRANSACTIONS

The Board of Directors made contributions to the Organization in the amounts of $72,500 and $185,000 for the years ended June 30, 2011 and 2010, respectively.

In addition, a company whose general partner is a member of the Board provided the Organization with donated rental space. This rent, valued at the square footage rate paid by the company, multiplied by the space occupied by the Organization, has been recognized as an in-kind contribution and off-setting expense in the statement of activities. The total of donated rental revenue and expense for the years ended June 30, 2011 and 2010, respectively, is $61,985 and $0.

NOTE 10 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.

The following is a summary of endowment funds subject to UPMIFA for the years ended June 30, 2011 and 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	-	-	760,928	760,928
Investment income	-	11,414	-	11,414
Appropriations	-	(11,414)	-	(11,414)
Endowment net assets, June 30, 2011	$ -	$ -	$ 760,928	$ 760,928

NOTE 11 EFFECT OF CURRENT ECONOMIC CONDITIONS ON CONTRIBUTIONS AND GRANTS

The Organization received approximately 93% of its revenues from contributions and grants for the year ended June 30, 2011. 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.

NOTE 12 PRIOR PERIOD RESTATEMENT

During the current year audit, a pledge of $50,000 was identified that was awarded in June 2010, but not recognized as revenue until August 2010. As a result, pledges receivable was understated by $50,000 at June 30, 2010. The 2010 financial statements have been restated to correct this revenue recognition error. The result of this restatement is an increase of $50,000 to pledges receivable and temporarily restricted net assets at June 30, 2010 and the change in net assets for the year ended June 30, 2010.