ALLIANCE FOR AGING RESEARCH

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

ALLIANCE FOR AGING RESEARCH
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Alliance for Aging Research
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of the Alliance for Aging Research (the "Organization"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities 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 audit 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 auditor considers 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 the Organization as of June 30, 2014 and 2013, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
September 9, 2014

ALLIANCE FOR AGING RESEARCH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 3,111,119	$ 4,122,907
Pledges Receivable	443,100	110,500
Other Receivables	239,154	176,685
Investments	11,538	14,528
Prepaid Expenses and Other Assets	17,074	53,261
Total Current Assets	3,821,985	4,477,881
PROPERTY AND EQUIPMENT		
Furniture and Office Equipment	33,156	3,573
Computer Equipment and Software	11,244	14,848
Leasehold Improvements	7,943	-
Total Property and Equipment	52,343	18,421
Less Accumulated Depreciation and Amortization	20,360	11,985
Net Property and Equipment	31,983	6,436
INVESTMENTS - DEFERRED COMPENSATION FUND	170,324	147,296
Total Assets	$ 4,024,292	$ 4,631,613
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 139,133	$ 129,704
Deferred Rent - Current	1,869	-
Capital Lease Payable - Current	3,524	-
Total Current Liabilities	144,526	129,704
NONCURRENT LIABILITIES		
Deferred Compensation Obligation	170,324	147,296
Deferred Rent - Noncurrent	18,236	-
Capital Lease Payable - Noncurrent	10,155	-
Total Noncurrent Liabilities	198,715	147,296
Total Liabilities	343,241	277,000
NET ASSETS		
Unrestricted	817,697	1,208,127
Temporarily Restricted	2,352,426	2,635,558
Permanently Restricted	510,928	510,928
Total Net Assets	3,681,051	4,354,613
Total Liabilities and Net Assets	$ 4,024,292	$ 4,631,613

See accompanying Notes to Financial Statements.

ALLIANCE FOR AGING RESEARCH
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2014 AND 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Grants	$ -	$ 957,777	$ -	$ 957,777	$ -	$ 1,154,956	$ -	$ 1,154,956
Contributions	266,533	-	-	266,533	354,124	-	-	354,124
Annual Dinner	145,300	260,000	-	405,300	136,057	245,000	-	381,057
Special Events/Other	63,154	-	-	63,154	10,839	-	-	10,839
Interest Income	12,430	-	-	12,430	32,160	-	-	32,160
Publications	726	-	-	726	1,498	-	-	1,498
Donated Rental Space	53,130	-	-	53,130	106,260	-	-	106,260
Net Assets Released from Program Restrictions	1,500,909	(1,500,909)	-	-	930,625	(930,625)	-	-
Total Revenue	2,042,182	(283,132)	-	1,759,050	1,571,563	469,331	-	2,040,894
EXPENSES								
Program Services:								
Health Education	1,055,368	-	-	1,055,368	468,628	-	-	468,628
Communications	23,824	-	-	23,824	10,589	-	-	10,589
Public Policy	498,914	-	-	498,914	516,972	-	-	516,972
	1,578,106	-	-	1,578,106	996,189	-	-	996,189
Supporting Services:								
Management and General	575,636	-	-	575,636	579,597	-	-	579,597
Fundraising	275,880	-	-	275,880	194,654	-	-	194,654
	851,516	-	-	851,516	774,251	-	-	774,251
Total Expenses	2,429,622	-	-	2,429,622	1,770,440	-	-	1,770,440
Change in Net Assets Before Realized/ Unrealized (Loss) Gain on Investments	(387,440)	(283,132)	-	(670,572)	(198,877)	469,331	-	270,454
Realized/Unrealized (Loss) Gain on Investments	(2,990)	-	-	(2,990)	72	-	-	72
CHANGE IN NET ASSETS	(390,430)	(283,132)	-	(673,562)	(198,805)	469,331	-	270,526
Net Assets - Beginning of Year	1,208,127	2,635,558	510,928	4,354,613	1,406,932	2,166,227	510,928	4,084,087
NET ASSETS - END OF YEAR	$ 817,697	$ 2,352,426	$ 510,928	$ 3,681,051	$ 1,208,127	$ 2,635,558	$ 510,928	$ 4,354,613

See accompanying Notes to Financial Statements.

ALLIANCE FOR AGING RESEARCH
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (673,562)	$ 270,526
Adjustments to Reconcile Change in Net Assets		
to Net Cash (Used in) Provided by Operating Activities:		
Depreciation and Amortization	11,600	4,817
Realized and Unrealized Losses (Gains) on Investments	2,990	(72)
Donated Investments	-	(14,456)
Changes in Assets and Liabilities:		
Pledges Receivable	(332,600)	124,750
Other Receivables	(62,469)	(37,098)
Prepaid Expenses and Other Assets	36,187	(28,337)
Accounts Payable and Accrued Expenses	9,429	25,124
Deferred Rent	20,105	-
Net Cash (Used in) Provided by Operating Activities	(988,320)	345,254
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(20,788)	(1,226)
Net Cash Used in Investing Activities	(20,788)	(1,226)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(2,680)	-
Net Cash Used in Financing Activities	(2,680)	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,011,788)	344,028
Cash and Cash Equivalents - Beginning of Year	4,122,907	3,778,879
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,111,119	$ 4,122,907
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Assets Acquired Through Capital Lease	$ 19,398	$ -

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 2011 to 2013 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, with the exception of money market funds, which are recorded at cost which approximates fair 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 realized/unrealized gains or losses on investments below the change in net assets before realized/unrealized gains or losses 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, 2014.

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 2 to 10 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 9, 2014, 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, 2014 and 2013, 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, including deferred compensation investments, are recorded at fair market value and are comprised of the following at June 30, 2014 and 2013:

	2014		2013	
	Cost	Market	Cost	Market
Mutual Funds - Fixed Income	$ 17,261	$ 17,337	$ 30,976	$ 30,715
Mutual Funds - Equity	85,984	119,034	81,927	99,281
Mutual Funds - Alternative	31,507	33,931	15,054	15,798
Money Market Funds	22	22	1,502	1,502
Equities	14,456	11,538	14,456	14,528
	$ 149,230	$ 181,862	$ 143,915	$ 161,824

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:

	Level 1	Level 2	Level 3	Total
2014				
Mutual Funds - Fixed Income	$ 17,337	$ -	$ -	$ 17,337
Mutual Funds - Equity	119,034	-	-	119,034
Mutual Funds - Alternative	33,931	-	-	33,931
Equities	11,538	-	-	11,538
	$ 181,840	$ -	$ -	$ 181,840
2013				
Mutual Funds - Fixed Income	$ 30,715	$ -	$ -	$ 30,715
Mutual Funds - Equity	99,281	-	-	99,281
Mutual Funds - Alternative	15,798	-	-	15,798
Equities	14,528	-	-	14,528
	$ 160,322	$ -	$ -	$ 160,322

Money Market funds are not included in the above schedule.

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, 2014 and 2013, 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, 2014 and 2013:

	2013	Additions	Releases	2014
Program Restricted				
Health Education	$1,782,597	$ 451,574	$ (899,556)	$1,334,615
Public Policy	604,762	506,203	(353,154)	757,811
Communications	3,199	-	(3,199)	-
Annual Dinner	245,000	260,000	(245,000)	260,000
	$2,635,558	$1,217,777	$ (1,500,909)	$2,352,426

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 401(k) 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, 2014 and 2013, 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 $216,000 and $270,500 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013 is $53,130 and $106,260, respectively.

There was also a $75,000 grant provided to the Organization by an organization who's Vice President of Public Affairs and Special Counsel is a member of the Board.

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, 2014 and 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2012	$ -	$ -	$ 510,928	$ 510,928
Investment income	-	4,087	-	4,087
Appropriations	-	(4,087)	-	(4,087)
Endowment net assets, June 30, 2013	-	-	510,928	510,928
Investment income	-	1,533	-	1,533
Appropriations	-	(1,533)	-	(1,533)
Endowment net assets, June 30, 2014	$ -	$ -	$ 510,928	$ 510,928

NOTE 11 EFFECT OF CURRENT ECONOMIC CONDITIONS ON CONTRIBUTIONS AND GRANTS

The Organization received approximately 93% and 92% of its revenues from contributions and grants for the years ended June 30, 2014 and 2013, respectively. 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 COMMITMENTS

Lease Obligations

The Organization entered into a lease for office space in Washington, DC on December 16, 2013 which expires December 15, 2018. The first month and a half of rent due was abated. Rent expense is being recognized on a straight-line basis over the term of the lease. Rent expense for the fiscal year ended June 30, 2014 was $80,477.

Future minimum payments under this lease are as follows:

Year Ending June 30	Minimum Lease Payments
2015	$ 146,703
2016	150,371
2017	154,130
2018	151,319
Total	$ 602,523

Capital Lease

The Association entered into a five-year lease agreement for a copier during 2012. The value of the copier machine has been capitalized and recorded as equipment within the statement of financial position and is being depreciated on a straight-line basis. Imputed interest is being amortized over the lease term.

Future minimum lease payments are as follows for the years ending June 30:

Year Ending June 30	Minimum Lease Payments
2015	$ 6,888
2016	6,888
2017	2,870
Total Minimum Lease Payments	16,646
Less: Amount Representing Interest	(2,967)
Present Value of Minimum Lease Payments	$ 13,679