ALLIANCE FOR AGING RESEARCH

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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, 2016 and 2015, 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.

Board of Directors
Alliance for Aging Research

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, 2016 and 2015, 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 26, 2016

ALLIANCE FOR AGING RESEARCH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,023,828	$ 2,573,989
Grants Receivable	323,700	119,000
Contributions Receivable	185,327	191,547
Investments	1,819,287	-
Prepaid Expenses and Other Assets	28,657	30,679
Total Current Assets	3,380,799	2,915,215
PROPERTY AND EQUIPMENT		
Furniture and Office Equipment	33,156	33,156
Computer Equipment and Software	29,684	23,644
Leasehold Improvements	7,943	7,943
Total Property and Equipment	70,783	64,743
Less: Accumulated Depreciation and Amortization	(36,326)	(28,020)
Net Property and Equipment	34,457	36,723
Total Assets	$ 3,415,256	$ 2,951,938
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 139,326	$ 54,471
Deferred Rent - Current	4,225	466
Refundable Advance	25,000	-
Capital Lease Payable - Current	5,520	4,634
Total Current Liabilities	174,071	59,571
NONCURRENT LIABILITIES		
Deferred Rent - Noncurrent	13,092	17,317
Capital Lease Payable - Noncurrent	-	5,520
Total Noncurrent Liabilities	13,092	22,837
Total Liabilities	187,163	82,408
NET ASSETS		
Unrestricted	817,287	875,173
Temporarily Restricted	1,899,878	1,483,429
Permanently Restricted	510,928	510,928
Total Net Assets	3,228,093	2,869,530
Total Liabilities and Net Assets	$ 3,415,256	$ 2,951,938

See accompanying Notes to Financial Statements.

ALLIANCE FOR AGING RESEARCH
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Grants	$ -	$ 1,475,787	$ -	$ 1,475,787	$ -	$ 760,100	$ -	$ 760,100
Contributions	290,088	-	-	290,088	295,586	-	-	295,586
In-kind Contributions	155,272	-	-	155,272	-	-	-	-
Annual Dinner	77,900	347,000	-	424,900	220,000	270,500	-	490,500
Special Events/Other	-	-	-	-	3,420	-	-	3,420
Interest Income	17,820	4,412	-	22,232	19,461	4,087	-	23,548
Publications	711	-	-	711	461	-	-	461
Other Income	2,400	-	-	2,400	100	-	-	100
Net Assets Released from Program Restrictions	1,410,750	(1,410,750)	-	-	1,903,684	(1,903,684)	-	-
Total Revenue	1,954,941	416,449	-	2,371,390	2,442,712	(868,997)	-	1,573,715
EXPENSES								
Program Services:								
Health Education	801,070	-	-	801,070	1,203,513	-	-	1,203,513
Public Policy	371,024	-	-	371,024	543,179	-	-	543,179
Communications	140,739	-	-	140,739	38,503	-	-	38,503
	1,312,833	-	-	1,312,833	1,785,195	-	-	1,785,195
Supporting Services:								
Management and General	542,102	-	-	542,102	378,201	-	-	378,201
Fundraising	232,277	-	-	232,277	220,143	-	-	220,143
	774,379	-	-	774,379	598,344	-	-	598,344
Total Expenses	2,087,212	-	-	2,087,212	2,383,539	-	-	2,383,539
Change in Net Assets Before Realized/ Unrealized (Loss) Gain on Investments	(132,271)	416,449	-	284,178	59,173	(868,997)	-	(809,824)
Realized/Unrealized (Loss) Gain on Investments	74,385	-	-	74,385	(1,697)	-	-	(1,697)
CHANGE IN NET ASSETS	(57,886)	416,449	-	358,563	57,476	(868,997)	-	(811,521)
Net Assets - Beginning of Year	875,173	1,483,429	510,928	2,869,530	817,697	2,352,426	510,928	3,681,051
NET ASSETS - END OF YEAR	$ 817,287	$ 1,899,878	$ 510,928	$ 3,228,093	$ 875,173	$ 1,483,429	$ 510,928	$ 2,869,530

See accompanying Notes to Financial Statements.

ALLIANCE FOR AGING RESEARCH
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 358,563	$ (811,521)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	8,306	7,660
Realized and Unrealized (Gain) Loss on Investments	(74,385)	1,697
Changes in Assets and Liabilities:		
Grants Receivable	(204,700)	324,100
Contributions Receivable	6,220	47,607
Prepaid Expenses and Other Assets	2,022	(13,605)
Accounts Payable and Accrued Expenses	84,855	(84,662)
Deferred Rent	(466)	(2,322)
Refundable Advance	25,000	-
Net Cash Provided by (Used in) Operating Activities	205,415	(531,046)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	82,015	9,841
Purchases of Investments	(1,826,917)	-
Purchases of Property and Equipment	(6,040)	(12,400)
Net Cash Used in Investing Activities	(1,750,942)	(2,559)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(4,634)	(3,525)
Net Cash Used in Financing Activities	(4,634)	(3,525)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,550,161)	(537,130)
Cash and Cash Equivalents - Beginning of Year	2,573,989	3,111,119
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,023,828	$ 2,573,989

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.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

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Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

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.

Grants and Contributions Receivable

Grants and contributions receivable are recorded at their net realizable value. Amounts 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 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 Organization may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

Financial assets and liabilities recorded in 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, 2016.

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.

Grants and Contributions

Grants and contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Amounts of temporarily restricted contributions are subsequently released to unrestricted net assets when expenses have been incurred in satisfaction of those restrictions. If restricted contributions, including annual dinner sponsorships and ticket sales, are received and satisfied as to restrictions within the same fiscal year, they are recorded as unrestricted.

Contributed Services

In-kind donations are recorded at their estimated fair market value on the date of receipt. In-kind services are recorded at their estimated fair market value if such services are specialized and would typically be purchased if not donated. During the years ended June 30, 2016 and 2015, the Organization received donated legal services and advertising having an estimated fair value of $155,272 and $0, respectively. Such amounts are recorded in the accompanying financial statements as in-kind revenue and expense.

Annual Dinner

Annual dinner sponsorships and ticket sales are recorded as temporarily restricted if received in advance of the fiscal year of the event. Amounts of temporarily restricted contributions are subsequently released to unrestricted net assets in the year of the event.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Refundable Advances

Refundable advances represent the balance of cash received from grants for multi-funder projects, for which full funding has not yet been secured. Such amounts are considered conditional promises to give until full funding has been secured or the project is otherwise approved to occur. Refundable advances are only recognized as grant revenue when the terms on which they are conditioned have been substantially met.

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 26, 2016, 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 CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable at June 30, 2016 and 2015, represent current unconditional promises to give to the Organization. All pledges are expected to be collected within one year from the time the commitment was made.

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

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, 2016:

	Level 1	Level 2	Level 3	Total
Mutual Funds - Fixed Income	$ 647,355	$ -	$ -	$ 647,355
Mutual Funds - Equities	897,101	-	-	897,101
Mutual Funds - Absolute Return	179,464	-	-	179,464
Mutual Funds - Real Asset Index	95,367	-	-	95,367
	$ 1,819,287	$ -	$ -	$ 1,819,287

There were no assets at fair value at June 30, 2015.

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following programs at June 30, 2016 and 2015:

	2015	Additions	Releases	2016
Program Restricted				
Health Education	$ 543,078	$ 984,087	$ (821,123)	$ 706,042
Public Policy	669,851	243,000	(314,715)	598,136
Annual Dinner	270,500	347,000	(270,500)	347,000
Program Services	-	248,700	-	248,700
Endowment	-	4,412	(4,412)	-
	$1,483,429	$ 1,827,199	$ (1,410,750)	$1,899,878

	2014	Additions	Releases	2015
Program Restricted				
Health Education	$1,334,615	$ 355,100	$ (1,146,637)	$ 543,078
Public Policy	757,811	405,000	(492,960)	669,851
Annual Dinner	260,000	270,500	(260,000)	270,500
Endowment	-	4,087	(4,087)	-
	$2,352,426	$ 1,034,687	$ (1,903,684)	$1,483,429

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 6 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 required to match participant contributions not to exceed 4%. For the years ended June 30, 2016 and 2015, contributions totaling $21,869 and $9,913, respectively, were made to the plan by the Organization.

NOTE 7 RELATED PARTY TRANSACTIONS

The Board of Directors made contributions to the Organization in the amounts of $227,500 and $237,500 for the years ended June 30, 2016 and 2015, respectively. Outstanding amounts related to these contributions are included in contributions receivable and totaled $85,000 and $35,000 at June 30, 2016 and 2015, respectively.

The Organization also received grants or sponsorships from companies or individuals who employ or are otherwise affiliated with the Board of Directors in the amounts of $415,378 and $205,000 for the years ended June 30, 2016 and 2015, respectively. Outstanding amounts related to these grants and sponsorships are included in grants receivable and totaled $50,000 and $15,000 at June 30, 2016 and 2015, respectively.

NOTE 8 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 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 mutual funds.

NOTE 8 ENDOWMENT (CONTINUED)

The following is a summary of endowment funds subject to UPMIFA for the years ended June 30, 2016 and 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2014	$ -	$ -	$ 510,928	$ 510,928
Investment income	-	4,087	-	4,087
Appropriations	-	(4,087)	-	(4,087)
Endowment net assets, June 30, 2015	-	-	510,928	510,928
Investment income	-	4,412	-	4,412
Appropriations	-	(4,412)	-	(4,412)
Endowment net assets, June 30, 2016	$ -	$ -	$ 510,928	$ 510,928

NOTE 9 EFFECT OF CURRENT ECONOMIC CONDITIONS ON CONTRIBUTIONS AND GRANTS

The Organization received approximately 99% and 98% of its revenues from contributions and grants for the years ended June 30, 2016 and 2015, 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 10 COMMITMENTS

Lease Obligation

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 years ended June 30, 2016 and 2015, was $156,921 and $145,744, respectively.

Future minimum payments under this lease are as follows:

Years Ending June 30	Minimum Lease Payments
2017	$ 154,130
2018	157,983
2019	79,967
Total	$ 392,080

NOTE 10 COMMITMENTS (CONTINUED)

Capital Lease

The Organization 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:

	Minimum Lease Payments
Total Minimum Lease Payments due in 2017	$ 6,314
Less: Amount Representing Interest	(794)
Present Value of Minimum Lease Payments	$ 5,520