Alliance
FOR AGING RESEARCH

FINANCIAL STATEMENTS

DECEMBER 31, 2017

ALLIANCE FOR AGING RESEARCH

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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 statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the eighteen months 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 audit. We conducted our audit 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 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 30, 2017, and the changes in its net assets and its cash flows for the eighteen months then ended in accordance with accounting principles generally accepted in the United States of America.

Councilor, Buchanan & Mitchell, P.C.

Washington, D.C.
April 13, 2018

Certified Public Accountants

ALLIANCE FOR AGING RESEARCH

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

Assets	
Current Assets	
Cash and Cash Equivalents	$ 644,498
Grants and Contributions Receivable	451,402
Other Receivables	67,632
Investments	2,193,143
Prepaid Expenses and Other Assets	31,038
Total Current Assets	3,387,713
Property and Equipment	
Furniture and Office Equipment	20,265
Office Equipment under Capital Lease	23,247
Computer Equipment and Software	34,329
Leasehold Improvements	64,566
Total Property and Equipment	142,407
Less Accumulated Depreciation and Amortization	(40,965)
Net Property and Equipment	101,442
Total Assets	$ 3,489,155
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable and Accrued Expenses	$ 148,538
Deferred Rent and Lease Incentive	17,950
Capital Lease Payable	4,216
Total Current Liabilities	170,704
Deferred Rent and Lease Incentive, Net of Current Portion	58,098
Capital Lease Payable, Net of Current Portion	13,233
Total Liabilities	242,035
Net Assets	
Unrestricted	1,980,652
Temporarily Restricted	1,266,468
Total Net Assets	3,247,120
Total Liabilities and Net Assets	$ 3,489,155

See accompanying Notes to Financial Statements.

ALLIANCE FOR AGING RESEARCH

STATEMENT OF ACTIVITIES
FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Grants and Contributions	$ 390,982	$ 2,415,984	$ -	$ 2,806,966
Donated Services	386,284	-	-	386,284
Annual Dinner	174,853	399,000	-	573,853
Other Special Events	40,000	-	-	40,000
Interest and Dividend Income	86,360	-	-	86,360
Other Income	6,334	-	-	6,334
Loss on Disposal of Fixed Assets	(9,484)	-	-	(9,484)
Net Assets Released from Restrictions	3,948,948	(3,438,020)	(510,928)	-
Total Revenues	5,024,277	(623,036)	(510,928)	3,890,313
Expenses				
Program	3,215,170	-	-	3,215,170
Management and General	771,036	-	-	771,036
Fundraising	172,335	-	-	172,335
Total Expenses	4,158,541	-	-	4,158,541
Change in Net Assets before Gain on Investments	865,736	(623,036)	(510,928)	(268,228)
Gain on Investments	287,255	-	-	287,255
Change in Net Assets	1,152,991	(623,036)	(510,928)	19,027
Net Assets, Beginning of Year	827,661	1,889,504	510,928	3,228,093
Net Assets, End of Year	$ 1,980,652	$ 1,266,468	$ -	$ 3,247,120

See accompanying Notes to Financial Statements.

STATEMENT OF CASH FLOWS
FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 2017

Cash Flows from Operating Activities	
Change in Net Assets	$ 19,027
Adjustments to Reconcile Change in Net Assets to	
Net Cash Used in Operating Activities	
Depreciation and Amortization	19,437
Loss on Disposal of Fixed Assets	9,484
Gain on Investments	(287,255)
(Increase) Decrease in Assets	
Grants and Contributions Receivable	57,625
Other Receivable	(67,632)
Prepaid Expenses and Other Assets	(2,381)
Increase (Decrease) in Liabilities	
Accounts Payable and Accrued Expenses	9,212
Deferred Rent and Lease Incentive	(7,289)
Refundable Advance	(25,000)
Net Cash Used in Operating Activities	(274,772)
Cash Flows from Investing Activities	
Proceeds from Sales and Maturities of Investments	659,862
Purchases of Investments	(746,463)
Purchases of Property and Equipment	(6,639)
Net Cash Used in Investing Activities	(93,240)
Cash Flows from Financing Activities	
Principal Payments on Capital Lease Obligations	(11,318)
Net Cash Used in Financing Activities	(11,318)
Net Decrease in Cash and Cash Equivalents	(379,330)
Cash and Cash Equivalents, Beginning of Year	1,023,828
Cash and Cash Equivalents, End of Year	$ 644,498

Supplementary Disclosure of Cash Flow Information

Interest Paid	$ 2,158

Noncash Transactions from Investing and Financing Activities

The Organization received an allowance of approximately $66,000 for leasehold improvements and related costs during the eighteen months ended December 31, 2017, pursuant to an operating lease.

During the eighteen months ended December 31, 2017, the Organization entered into a capital lease agreement for office equipment valued at approximately $23,000.

See accompanying Notes to Financial Statements.

1. ORGANIZATION AND 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 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.

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.

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

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 against bad debt expense. Management estimates that all receivables are fully collectible. Therefore, no allowance for doubtful accounts has been recognized.

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

Other Receivables

Other receivables consist primarily of an amount due from the landlord for the leasehold improvements allowance provided for in the lease.

Investments

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

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.

Net Assets

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that are met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations to be maintained permanently by the Organization.

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 a stipulated time restriction ends or expenses have been incurred in satisfaction of a purpose restriction.

Donated Services

Donated services are recognized as contributions if the 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.

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

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.

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.

Change in Fiscal Year End

The Organization changed its year end to December 31 effective January 1, 2017.

2. RELATED PARTY TRANSACTIONS

The Organization also received grants or sponsorships from companies or individuals who employ or are otherwise affiliated with the Board of Directors of approximately $391,000 for the eighteen months ended December 31, 2017.

3. 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, 2017, two donors comprised approximately 40% of grants and contributions receivable.

4. DONATED SERVICES

For the eighteen months ended December 31, 2017, the fair value of donated services are included in donated services in the statement of activities. The expenses for the eighteen months ended December 31, 2017 are as follows:

	Program	Management and General	Total
Advertising	$ 167,732	$ -	$ 167,732
Legal Services	83,211	133,091	216,302
Consulting Fees	-	2,250	2,250
Total Donated Services	$ 250,943	$ 135,341	$ 386,284

5. 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).

The following presents the Organization's assets and liabilities measured at fair value as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 16,960	$ -	$ -	$ 16,960
Mutual Funds - Stock Funds	1,355,827	-	-	1,355,827
Mutual Funds - Bond Funds	820,356	-	-	820,356
	$ 2,193,143	$ -	$ -	$ 2,193,143

6. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2017, the Organization's temporarily restricted net assets consisted of the following:

	Amount
Program	$ 1,266,468
Total Temporarily Restricted	$ 1,266,468

Net assets released from restrictions for the eighteen months ended December 31, 2017, were as follows:

	Amount
Program	$ 2,692,020
Annual Dinner	746,000
Total Releases	$ 3,438,020

7. ENDOWMENT RELEASED BY DONOR

The endowment restriction of approximately $511,000 was released by the donor on December 7, 2017, and reclassified from permanently restricted net assets to unrestricted net assets as of December 31, 2017.

8. 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. 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.

Rent expense for the eighteen months ended December 31, 2017, was approximately $237,000.

Future minimum payments under this lease are as follows:

For the Years Ending December 31,	Minimum Lease Payments
2018	$ 159,934
2019	118,836
2020	182,710
2021	187,278
2022	191,960
Thereafter	675,786
Total	$ 1,516,504

Capital Lease

The Organization is the lessee of certain office equipment under a capital lease. The Organization is obligated under the lease through 2021. The asset and liability under the 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 lease is included in depreciation and amortization expense. The accumulated amortization as of December 31, 2017, was approximately $7,000.

8. COMMITMENTS (CONTINUED)

Capital Lease (Continued)

Future minimum lease payments under the capital lease as of December 31, 2017, are as follows:

For the Years Ending December 31,	Minimum Lease Payments
2018	$ 5,304
2019	5,304
2020	5,304
2021	3,978
Total Minimum Lease Payments	19,890
Less Amount Representing Interest	(2,441)
Present Value of Total Minimum Lease Payments	$ 17,449

9. 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. For the eighteen months ended December 31, 2017, the Organization made contributions of $36,105 to the Plan.

10. EMPLOYMENT AGREEMENT

During 2016, the Organization entered into an employment agreement (the Agreement) with its President and Chief Executive Officer (CEO) that provides for annual salary and fringe benefits. The Agreement is currently effective from July 1, 2017 through June 30, 2018, 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.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 13, 2018, which is the date the financial statements were available to be issued.