



FINANCIAL STATEMENTS

DECEMBER 31, 2018

ALLIANCE FOR AGING RESEARCH

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DECEMBER 31, 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 statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Alliance for Aging Research

Emphasis of Matter

As discussed in Note 3 of the financial statements, the Organization adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
May 3, 2019

Certified Public Accountants

ALLIANCE FOR AGING RESEARCH
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 475,618
Grants and Contributions Receivable	381,500
Investments	1,985,335
Prepaid Expenses and Other Assets	34,622
Total Current Assets	2,877,075
Property and Equipment	
Furniture and Office Equipment	22,147
Office Equipment under Capital Lease	23,247
Computer Equipment and Software	39,245
Leasehold Improvements	67,566
Website	90,000
Total Property and Equipment	242,205
Less Accumulated Depreciation and Amortization	(106,842)
Net Property and Equipment	135,363
Total Assets	\$ 3,012,438
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 221,046
Deferred Rent and Lease Incentive	8,628
Capital Lease Payable	4,216
Total Current Liabilities	233,890
Deferred Rent and Lease Incentive, Net of Current Portion	64,683
Capital Lease Payable, Net of Current Portion	9,017
Total Liabilities	307,590
Net Assets	
Without Donor Restrictions	1,845,803
With Donor Restrictions	859,045
Total Net Assets	2,704,848
Total Liabilities and Net Assets	\$ 3,012,438

See accompanying Notes to Financial Statements.

ALLIANCE FOR AGING RESEARCH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Grants and Contributions	\$ 355,700	\$ 1,786,622	\$ 2,142,322
Donated Goods and Services	150,781	-	150,781
Annual Dinner	468,595	-	468,595
Interest and Dividend Income	44,159	-	44,159
Other Income	2,006	-	2,006
Loss on Disposal of Fixed Assets	(2,403)	-	(2,403)
Net Assets Released from Restrictions	<u>2,194,045</u>	<u>(2,194,045)</u>	<u>-</u>
 Total Revenues	 3,212,883	 (407,423)	 2,805,460
Expenses			
Program	2,277,591	-	2,277,591
Management and General	604,657	-	604,657
Fundraising	<u>274,659</u>	<u>-</u>	<u>274,659</u>
 Total Expenses	 <u>3,156,907</u>	 <u>-</u>	 <u>3,156,907</u>
 Change in Net Assets before Gain (Loss) on Investments	 55,976	 (407,423)	 (351,447)
 Loss on Investments	 <u>(190,825)</u>	 <u>-</u>	 <u>(190,825)</u>
 Change in Net Assets	 (134,849)	 (407,423)	 (542,272)
 Net Assets, Beginning of Year	 <u>1,980,652</u>	 <u>1,266,468</u>	 <u>3,247,120</u>
 Net Assets, End of Year	 <u><u>\$ 1,845,803</u></u>	 <u><u>\$ 859,045</u></u>	 <u><u>\$ 2,704,848</u></u>

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	144,270	24,203	-	168,473
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	\$ 2,277,591	\$ 604,657	\$ 274,659	\$ 3,156,907

See accompanying Notes to Financial Statements.

ALLIANCE FOR AGING RESEARCH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows from Operating Activities	
Change in Net Assets	\$ (542,272)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation and Amortization	27,445
Loss on Disposal of Fixed Assets	2,403
Loss (Gain) on Investments	190,825
<u>(Increase) Decrease in Assets</u>	
Grants and Contributions Receivable	69,902
Other Receivable	67,632
Prepaid Expenses and Other Assets	(3,584)
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable and Accrued Expenses	72,508
Deferred Rent and Lease Incentive	<u>(2,737)</u>
Net Cash Used in Operating Activities	(117,878)
Cash Flows from Investing Activities	
Proceeds from Sales and Maturities of Investments	1,117,800
Purchases of Investments	(1,100,817)
Purchases of Property and Equipment	<u>(63,769)</u>
Net Cash Used in Investing Activities	(46,786)
Cash Flows from Financing Activities	
Principal Payments on Capital Lease Obligations	<u>(4,216)</u>
Net Cash Used in Financing Activities	<u>(4,216)</u>
Net Decrease in Cash and Cash Equivalents	(168,880)
Cash and Cash Equivalents, Beginning of Year	<u>644,498</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 475,618</u></u>
Supplementary Disclosure of Cash Flow Information	
Interest Paid	\$ 1,088

See accompanying Notes to Financial Statements.

ALLIANCE FOR AGING RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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.

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 - resources that are subject to donor-imposed restriction; temporary or permanent. Temporary restrictions expire either by passage of time or fulfillment of purpose by actions of the Organization. Permanent restrictions neither expire by passage of time or fulfillment of purpose by actions of the Organization.

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, 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

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.

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.

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 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.

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 unrestricted net assets in the year of the event.

ALLIANCE FOR AGING RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 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 allocated accordingly.

2. RELATED PARTY TRANSACTIONS

The Board of Directors made contributions to the Organization in the amount of \$357,500 for the year ended December 31, 2018. Outstanding amount related to these contributions is included in contributions receivable and totaled \$175,000 at December 31, 2018.

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

3. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU made improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net assets classification requirements and the information presented about a not-for-profit's liquidity, financial performance, and cash flows. A key change under ASU 2016-14 is the terminology of net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

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, 2018, two donors comprised approximately 60% of grants and contributions receivable.

ALLIANCE FOR AGING RESEARCH

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

5. DONATED GOODS AND SERVICES

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

	Program	Management and General	Total
Professional Development	\$ 1,625	\$ 4,875	\$ 6,500
Donations/Sponsor	7,500	-	7,500
Food/Beverage	-	1,258	1,258
Advertising	31,970	2,481	34,451
Legal Services	101,072	-	101,072
Total Donated Goods and Services	\$ 142,167	\$ 8,614	\$ 150,781

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).

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

At December 31, 2018, net assets with donor restrictions are restricted for the following purposes or periods:

Subject to Expenditures for Specific Purpose	Amount
Program	\$ 859,045
Total Purpose Restriction	\$ 859,045

ALLIANCE FOR AGING RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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 year ended December 31, 2018:

Subject to Expenditures for Specific Purpose	Amount
Program	\$ 2,194,045
Total Releases	\$ 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.

Rent expense was approximately \$163,000 for the year ended December 31, 2018.

Future minimum payments under this lease are as follows:

<u>For the Years Ending December 31,</u>	<u>Minimum Lease Payments</u>
2019	\$ 119,021
2020	182,901
2021	187,473
2022	192,160
2023	196,964
Thereafter	470,624
Total	\$ 1,349,143

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 \$7,000 as of December 31, 2018.

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

9. COMMITMENTS (CONTINUED)

Capital Lease (Continued)

Future minimum lease payments under the capital lease as of December 31, 2018, are as follows:

<u>For the Years Ending December 31,</u>	<u>Minimum Lease Payments</u>
2019	\$ 5,304
2020	5,304
2021	<u>3,978</u>
Total Minimum Lease Payments	14,586
Less Amount Representing Interest	<u>(1,353)</u>
Present Value of Total Minimum Lease Payments	<u><u>\$ 13,233</u></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.

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

<u>Financial Assets at Year End</u>	
Cash and Cash Equivalents	\$ 475,618
Grants and Contributions Receivable	381,500
Other Receivables	-
Investments	<u>1,985,335</u>
Total Financial Assets and Liquidity Resources Available within One Year	<u><u>\$ 2,842,453</u></u>

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. The Organization made contributions of \$23,630 to the Plan for the year ended December 31, 2018.

12. 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 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.

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

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 3, 2019, which is the date the financial statements were available to be issued.