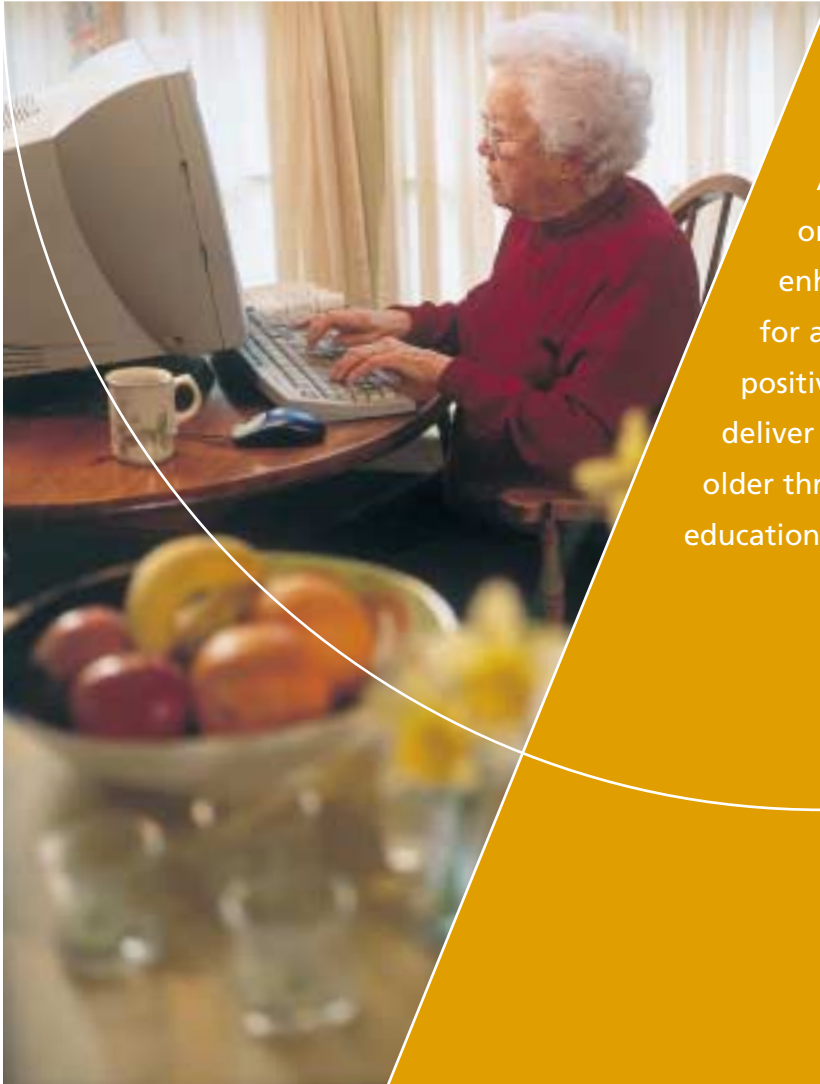


365:

FINDING NEW WAYS TO HELP,
BECAUSE LIFE HAPPENS EVERY DAY OF THE YEAR.

AARP Foundation **Annual Report 2003**





Our Mission:

The AARP Foundation is AARP's affiliated charitable organization dedicated to enhancing the quality of life for all as we age. We lead positive social change and deliver value to those 50 and older through information, education and service.

365:

Even as you read this, the AARP Foundation is helping vulnerable older Americans hold on to their homes, their jobs, their health and their savings. We litigate against discriminatory workplaces and protect seniors from fraud and predatory lenders. We help people to file a tax return online, get job training and learn about reverse mortgages. Every day of the year, our programs keep working.

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LETTER FROM THE BOARD CHAIR



With more than six million older Americans suffering economic hardships and one-third of Americans over age 65 with incomes of less than \$10,000 per year, the AARP Foundation's work has never been more needed or more important.

By 2030, the number of people over age 65 will double to 70 million, with the fastest-growing age group those over 85. With these demographics, the challenges we face as a nation are unprecedented. But so are the opportunities.

In 2003, the AARP Foundation continued its efforts to provide comprehensive services that complement the work AARP does and ensure that older Americans have opportunities to maintain a high quality of life full of choices and possibilities.

Existing programs built on previous successes and exceeded prior records in assisting older Americans—whether workers or retirees, homeowners or renters, taxpayers or recipients of government assistance, healthy or ill, grandparents raising grandchildren or grandparents being cared for by others.

Programs were added that help educate low- and moderate-income people over age 55 and their caregivers about the public and private benefit programs for which they may be eligible, and which advise and guide caregiver coalitions.

To support programs that benefit older Americans, the AARP Foundation solicits contributions from individuals, corporations and foundations to increase the scope, reach and effectiveness of its efforts. Charitable fundraising has been a success, totaling \$7.4 million in 2003, ensuring the futures of our many successful and longstanding efforts and allowing us to develop new programs to meet emerging needs in the older population. Together we are working for a secure and sustainable future. With your help, we will get there.

Rutherford "Jack" Brice

Chair, AARP Foundation Board of Directors

THE ANDRUS SOCIETY

A New Philanthropic Society

During 2003, the AARP Foundation engaged in raising funds to support our charitable work. To recognize personal giving at exceptional levels, The Andrus Society will be formally launched in 2004. It honors the memory of Ethel Percy Andrus, PhD, the retired educator who founded the NRTA (National Retired Teachers Association) in 1947 and AARP in 1958.

This new Society offers individuals the power to carry on Dr. Andrus's vision of fostering positive social change so that all members of society can age with independence, dignity and purpose.

Included in The Andrus Society are several levels of recognition. The names of the levels reflect the values and beliefs as well as the accomplishments of AARP's founder. Donors who join the Society in 2003 and 2004 will have the special distinction of recognition as Founding Members. We invite you to learn more about the Society in the coming months and consider becoming a member of this prestigious society of committed philanthropists.

You Have the Power to Make It Better

Donating to the AARP Foundation lets donors have "the power to make it better"TM by strengthening and supporting the Foundation's efforts through a variety of giving options, including outright gifts of cash or appreciated securities, bequests, real and personal property, and through charitable gift annuities and charitable remainder trusts.

Gifts to the AARP Foundation, a charitable organization, are tax deductible, and they can make a positive difference in the quality of life of our society's most vulnerable elderly.

The gifts made during 2003 are a testament to the commitment of our donors to the vision and mission of the AARP Foundation. For more information, please call 1-800-775-6776, visit the Web site of the AARP Foundation at <http://www.aarp.org/foundation> or write to the AARP Foundation, 601 E Street, NW, Washington, DC 20049.

"So remember, greatness and rewards are perhaps within your grasp if you see the needs of the people about you and apply yourself to fulfilling their needs."

—Dr. Ethel Percy Andrus

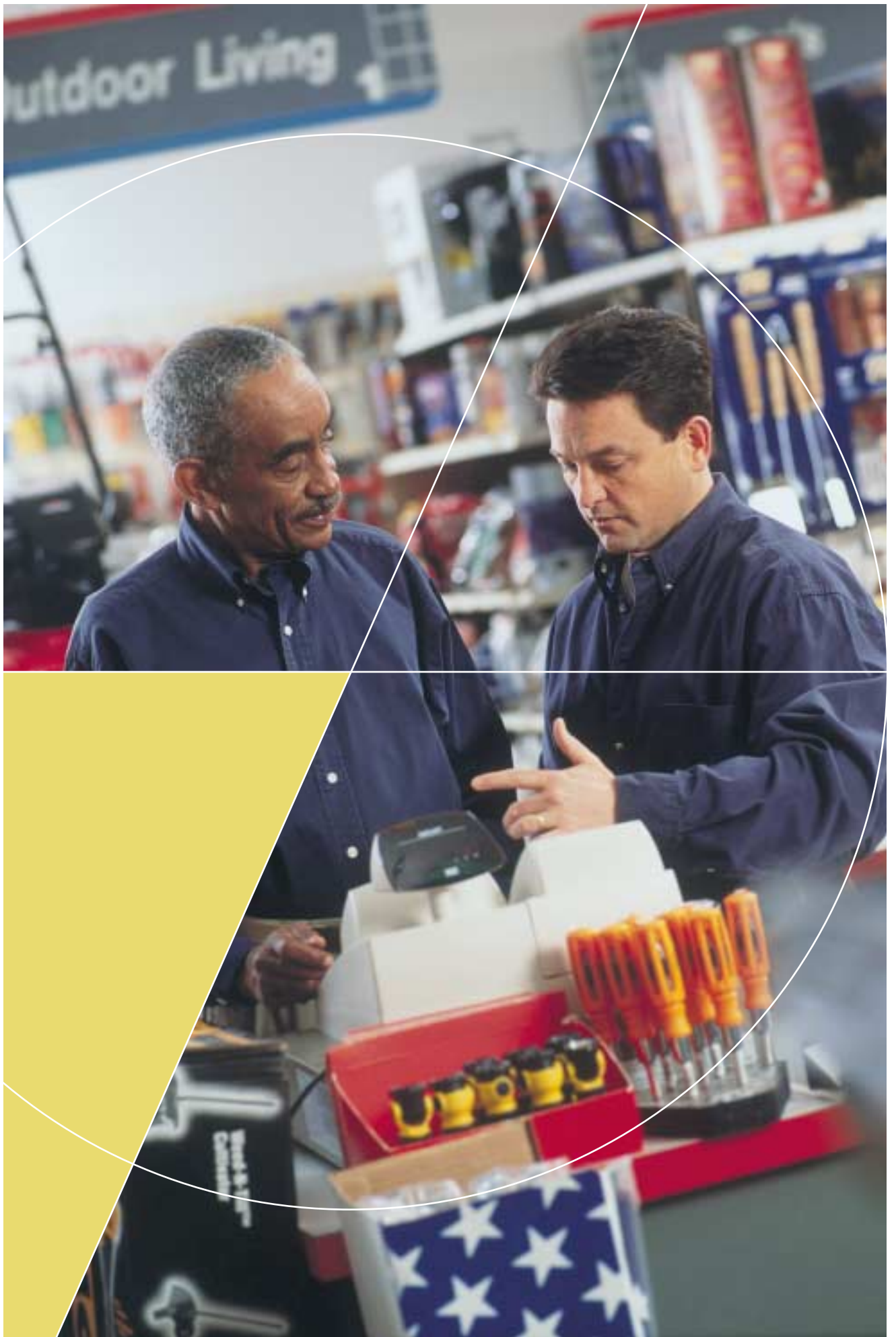
AARP FOUNDATION PROGRAMS AND LITIGATION

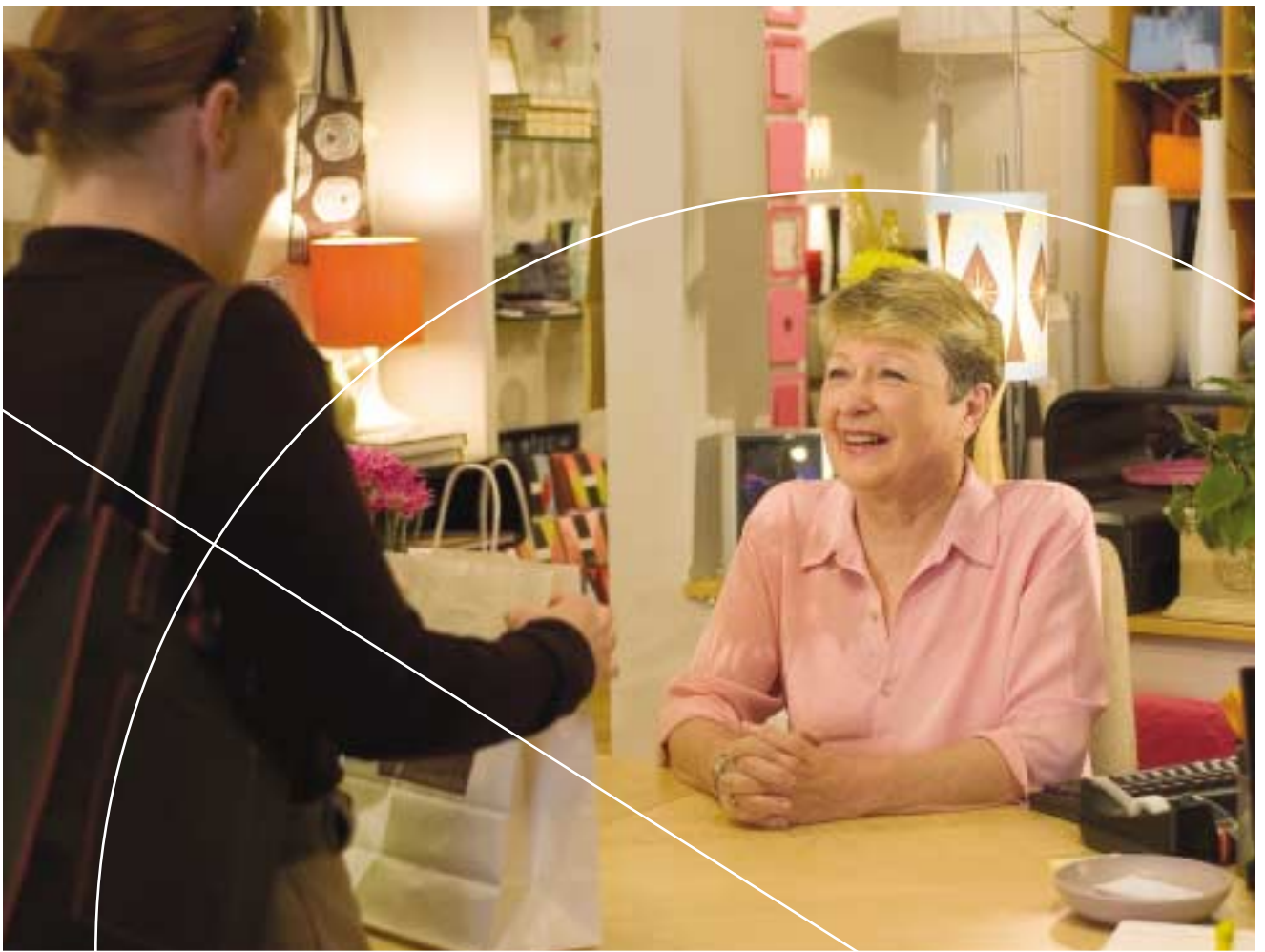
The AARP Foundation's programs and litigation activities address issues that are everyday concerns of people over 50, and emerging trends that people will begin to face as they age. These efforts promote **Empowerment**, giving individuals control over important choices and decisions they need to make as they age. They provide **Protection**, defending and championing the rights of people over 50. They build **Security**, avoiding and mitigating poverty and its effects.

Empowerment: Independence is not strictly about doing things yourself; it is also about having control over the choices and the decisions made. The AARP Foundation strives to ensure that older Americans and their families have the information and opportunities they need to make the best possible choices for all stages of aging and to help themselves remain independent.

The **AARP Senior Community Service Employment Program (SCSEP)** helps low-income job seekers, age 55 and older, gain the skills and experience necessary to re-enter the workforce. SCSEP provides training, in community agencies and job placement to empower older workers to get the jobs they want. Sponsored by the U.S. Department of Labor, the SCSEP is one of AARP Foundation's largest programs.

→ In 2003, the program helped over 18,000 low-income people improve their health, economic security, and quality of life—as well as the quality of life in their communities. These SCSEP enrollees provided more than 8.6 million hours of community service in their host agencies, such as public schools, day-care centers, city museums and parks, community/senior centers, literacy programs and hospitals. The dollar value of that service is estimated at more than \$49 million.





“When I first went to AARP SCSEP, I had just lost my husband . . . I realized that either I was going to sink or swim—and I chose to swim.” Like other participants in the AARP Senior Community Service Employment Program (SCSEP), Rose, at age 67, had to return to the workforce. She needed a job to pay bills and to restore her sense of security during this difficult time in her life. So, Rose enrolled in AARP SCSEP and received the help she needed—income from a temporary assignment, job training and placement assistance leading to a permanent, unsubsidized job.

Joe and Shirley: It did not take long after retirement for Shirley and her husband Joe to realize that they couldn't live on Social Security alone. Shirley had been out of work for eight months when she and Joe, recently retired after 42 years as a truck driver, found out about AARP SCSEP through a friend. Since they had only one vehicle between them, SCSEP assigned them to the same host agency, the Senior Adult Center in Mount Ida, Arkansas. Shirley's training assignment in the senior center's kitchen soon resulted in a permanent job as head cook, a job she loved—but this left Joe with a real problem. Even though he was doing an exemplary job of light maintenance, there simply was no money in the center's budget to hire him as well. Also, the higher pay Shirley was now receiving would soon make Joe income-ineligible for SCSEP.

At about this time, SCSEP's employment specialists learned that a nearby nursing home had lost its maintenance worker. SCSEP created a host agency agreement with the nursing home and transferred Joe there for a short trial period—with the idea that he would be hired permanently if he did a good job. After a few weeks, Joe's supervisors at the nursing home were so thrilled with the quality of his work that they gave the SCSEP staff a tour to show what he had achieved. Joe was soon hired as a permanent employee. Not only do Shirley and Joe enjoy having jobs close to home with similar schedules, they now have the extra income they need to make ends meet.

"We will always be grateful to AARP for giving us this opportunity," says Shirley. "We highly recommend SCSEP to anyone who is in the same position we were."



AARP FOUNDATION PROGRAMS AND LITIGATION

Protection: The AARP Foundation is a champion for the rights and protection of older Americans and their families through a variety of programs and initiatives.

AARP Foundation Litigation's team of 15 attorneys work on more than 70 cases per year. These nationally recognized experts on age discrimination, pensions, health and long-term care and consumer issues uphold the interests of older people by representing them in significant court cases and by writing AARP's *amicus curiae* ("friend of the court") briefs, which help guide the courts in making sound decisions in precedent-setting cases. AARP Foundation Litigation's legal advocacy focuses on changing practices or policies of industry, business or government that are detrimental to Americans over age 50, with a particular focus on helping low-income and vulnerable people.

- In 2003, AARP Foundation Litigation's efforts helped convince the U.S. Supreme Court to uphold the Federal Family and Medical Leave Act (FMLA). Our work also helped halt erosion of the Americans with Disabilities Act, and strengthened the Federal Rehabilitation Act and state laws protecting against discrimination on the basis of disability.
- Our prescription drug litigation helped AARP's efforts in Congress, statehouses and in the marketplace to expand access to prescription drugs. Amicus briefs helped convince the U.S. Supreme Court to reject constitutional challenges to innovative state programs and break up monopolistic actions by pharmaceutical companies.
- We also helped persuade the U.S. Supreme Court and other courts to uphold the McCain-Feingold Act, the most significant campaign finance law in a generation, preserve a long-standing tool for delivery of legal services to the poor, reiterate the right of advocacy organizations like AARP to speak on behalf of their members in court, and protect older Americans from a variety of mandatory arbitration schemes that can trample their rights as consumers, health care recipients and employees.

AARP FOUNDATION PROGRAMS

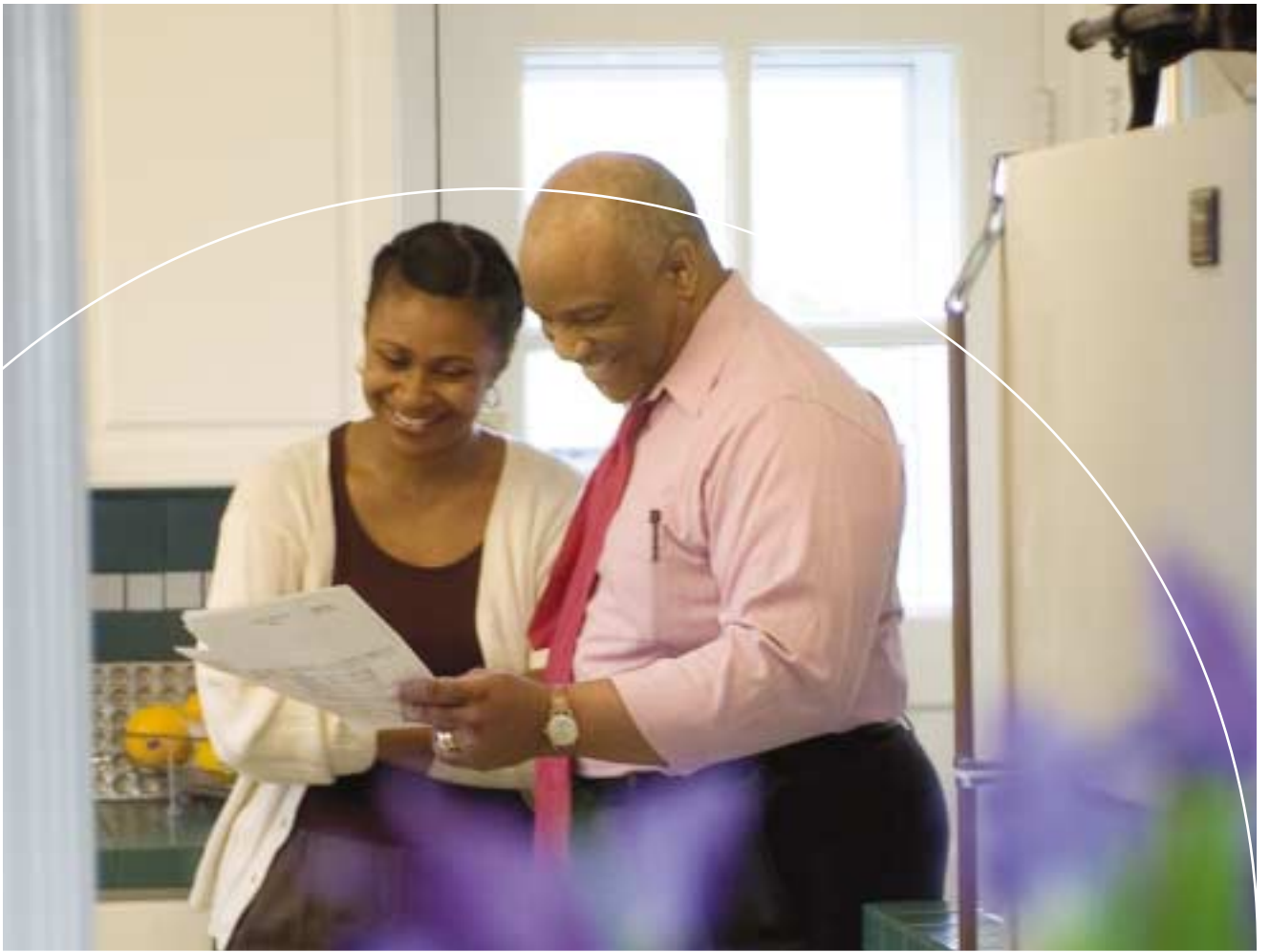
→ A jury awarded millions of dollars in compensatory and punitive damages to homeowners represented by AARP Foundation Litigation attorneys in their suit against predatory lenders, and amicus briefs filed by AARP Foundation Litigation on behalf of litigants in other cases helped uphold strong anti-predatory lending laws in Illinois, California, and rules issued by the Federal Office of Thrift Supervision.

The **AARP National Legal Training Project** provides training, technical assistance and materials to thousands of advocates across the country—lawyers, paralegals and volunteers—who in turn provide free advocacy services to older persons.

→ The Project's National Aging and Law Conference is an annual event that brings together hundreds of advocates, attorneys and volunteers to build national networks and discuss broad policy issues.

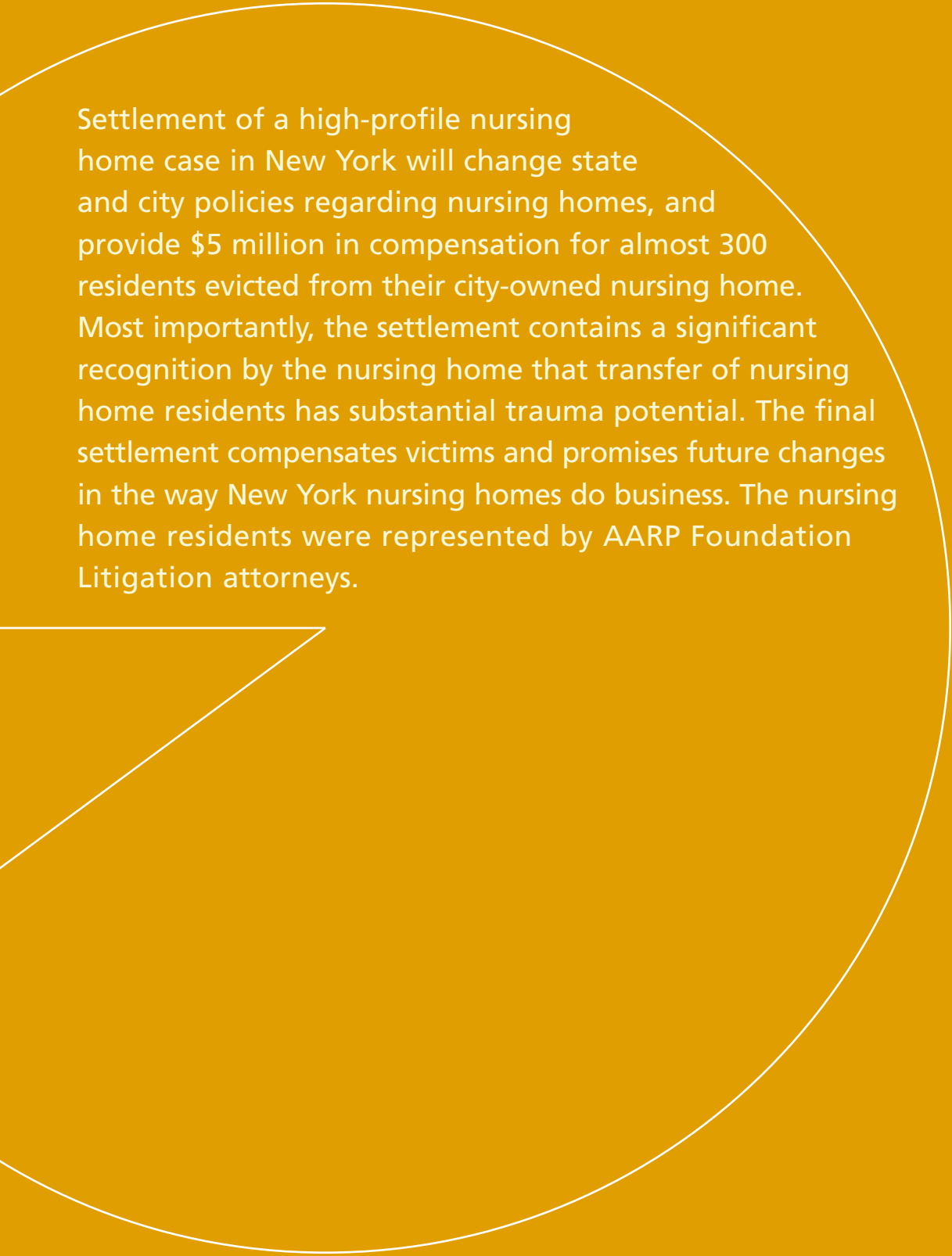
The **AARP Technical Support for State Legal Hotlines Project** provides technical assistance, training and materials to legal hotlines that provide free and reduced-fee legal advice and services by phone to older Americans.

→ State hotlines together handled nearly 95,000 calls in 2003.





In a tremendous statement against predatory lending, a jury awarded \$4.1 million in punitive damages and approximately \$200,000 in compensatory damages to Washington D.C. homeowners. Victims represented by AARP Foundation attorneys in court presented evidence that a lender had made up information to make them seem to qualify for loans that were in fact unsupportable—including phony tax returns showing false income and invented jobs.



Settlement of a high-profile nursing home case in New York will change state and city policies regarding nursing homes, and provide \$5 million in compensation for almost 300 residents evicted from their city-owned nursing home. Most importantly, the settlement contains a significant recognition by the nursing home that transfer of nursing home residents has substantial trauma potential. The final settlement compensates victims and promises future changes in the way New York nursing homes do business. The nursing home residents were represented by AARP Foundation Litigation attorneys.



Security: The AARP Foundation strives to help older Americans maintain their independence and dignity by providing programs and resources that address critical needs, and help people avoid poverty.

The **AARP Foundation's Money Management Program** utilizes more than 3,000 AARP volunteers to help low-income older people or those with disabilities who have difficulty budgeting, paying routine bills and keeping track of financial matters and who have no family or friends that are able to help.

- In 2003, the program partnered with 130 local agencies in 20 states and the District of Columbia, serving over 5,000 clients.

AARP Benefits Outreach Program

offers assistance to people over age 55 with low or moderate incomes so they can find out if they are eligible for a number of public and private benefit programs that help pay for prescription drugs, doctor's bills, groceries, heating bills, property taxes and more.

- Over four million people are eligible for these benefits and do not know it. Using the National Council on Aging's Benefits CheckUp Web site (www.benefitscheckup.org), the program's volunteers help people to access these much-needed services.

The AARP Foundation's Reverse Mortgage Education Project

helps older homeowners make informed decisions about whether to use reverse mortgages to convert the equity in their homes into cash—without having to sell their homes or make monthly loan repayments. This project, sponsored by the U.S. Department of Housing and Urban Development, has been the leading consumer voice in the reverse mortgage market for over a decade, providing in-depth, objective information, and promoting high-quality, independent counseling on reverse mortgages.

- In 2003, the program doubled the size of its counseling network, and expects to double it again in the year ahead and to triple the number of people served.

AARP FOUNDATION PROGRAMS AND LITIGATION

AARP Tax-Aide, sponsored by the U.S. Internal Revenue Service, is the nation's largest, free, volunteer-run tax counseling and preparation service available to taxpayers with middle and low incomes, with special attention to those age 60 and older. Tax laws are complex, and often persons with limited means end up using a significant portion of a refund simply to have their taxes prepared. Trained AARP Tax-Aide volunteers help persons with low and moderate incomes maximize their legal deductions and credits, resulting in tangible economic benefits to them.

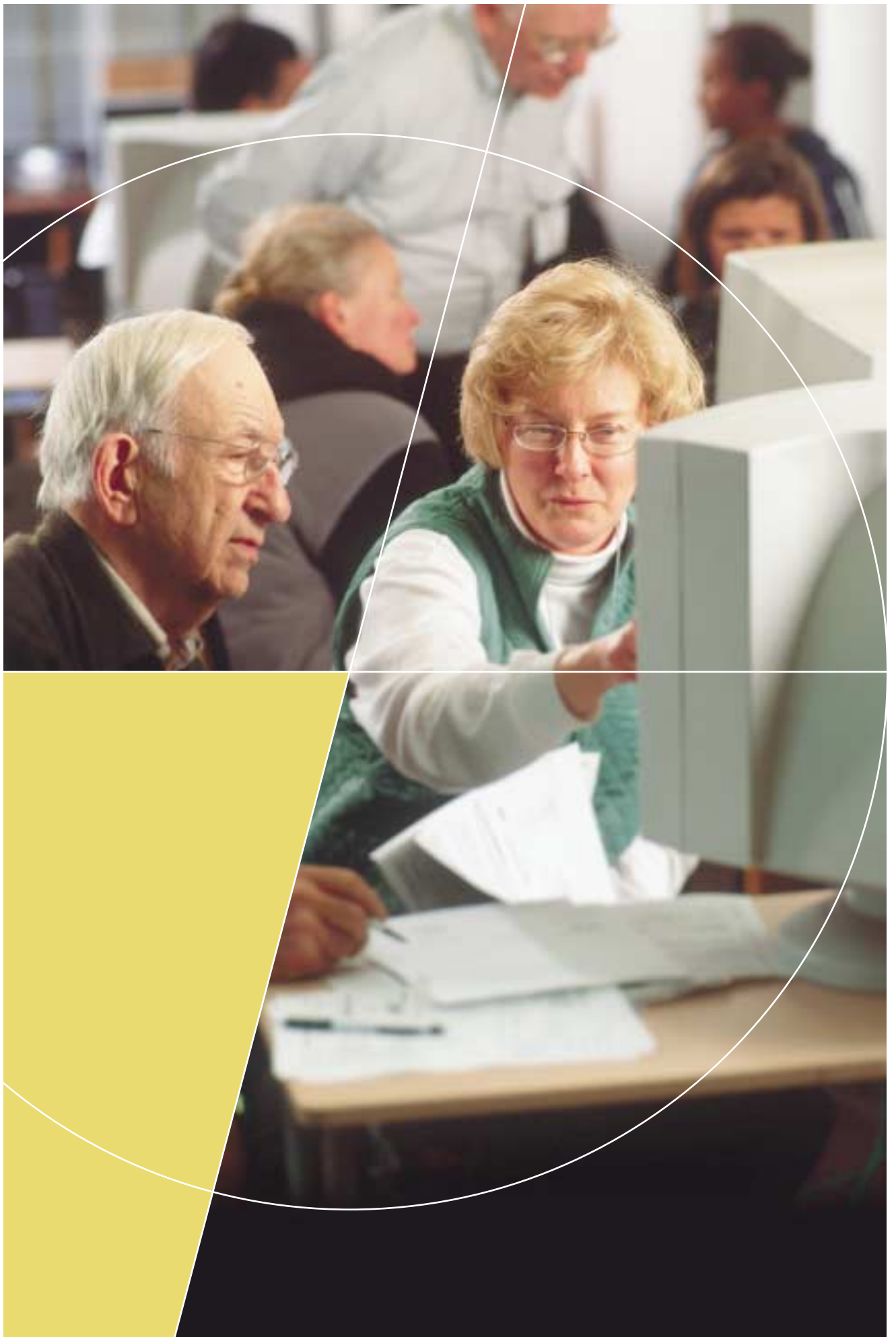
- In 2003, the AARP Tax-Aide program operated in 8,500 sites across the country and served 1.85 million people. Since its inception in 1968, the program has helped over 34 million Americans with their tax returns. Taxpayers save over \$40 million in tax preparation fees annually by using this free program.
- On average, each AARP Tax-Aide counselor serves 60 taxpayers per season. The total value of the volunteer time provided by these counselors is estimated at over \$48 million per year.

AARP ElderWatch fights financial exploitation of older Americans in the state of Colorado through extensive outreach and education and the training of law enforcement and other professionals to identify and prevent financial elder abuse.

- ElderWatch thrives on the dedicated service of its volunteers, who logged more than 2,300 hours of service in 2003 working as hotline operators and assisting with public education efforts.
- ElderWatch has, to date, recorded more than 1,500 cases with losses or potential losses estimated at more than \$7 million.

The **AARP Caregiver Coalition Research Project** is a two-year research project that focuses on developing and implementing a training program to encourage the formation and sustainability of caregiver coalitions. The project identifies best practices of existing coalitions, conducts focus groups and in-depth interviews with coalition leaders, and develops training design and materials based on its research findings.

- During the first year of the grant, representatives from 12 organizations received training in forming and sustaining state-wide caregiver coalitions, and training guides were written and published based upon the research on existing caregiver and human service coalitions.



Pamela is a 78 year-old widow who lived with her adult son in Indiana. When he died in a workplace accident, she was entitled to receive his pension, but physical disabilities made her unable to do the paperwork necessary for the employer to release the pension. She has no surviving family or friends to turn to for help, and because she lives at the poverty level, she greatly needed the money. So, she called her state legal hotline and was visited at her home by a hotline attorney. The attorney helped her complete the supporting documentation, and get signatures from the appropriate state, county, and company officials in order for her to receive the pension.



Joyce, age 78 of Pueblo, Colorado, is living on a fixed income. She could not afford to buy all of the six prescriptions she needs on a daily basis. Thanks to an AARP Benefits Outreach screening, she found out about two discount prescription plans that she was eligible for. She applied and is now participating in both plans and is saving close to \$300 a month.

AARP FOUNDATION ACKNOWLEDGEMENTS

The AARP Foundation would like to thank the following individuals who have given so generously through outright gifts, bequests and charitable gift annuities.

Gifts through Bequests

Rhoda Hines Dalby
Eva Z. Gendron
Aileen Graves
Edith L. Goranson
Morton M. Kudebeh
Walter R. Lindner
May Moore
Donald F. Ryan
Edgar J. Saltsman
Elizabeth E. Shipherd
Zuehlke Family Trust

Gifts through Charitable Gift Annuities

AKN Ahmed
Herman C. Bainerd
Edwin Bock
Frank Caliendo
Col. James M. Compton
Christine H. Couch and
Weddington Bill Couch
John R. Crane
Christine M. Cruz
Richard W. Custer
Aila G. Dawe
Pamela Detering
James R. and
Alice J. Di Meolo
Philip Ellgen
John and Genevieve Fairval
H. Feidelberg
Wilma S. Firsich
Alice S. Gillisse
P. K. Govind
Mrs. Margaret Graham
Carmen Gutierrez
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Hazel E. Hart
Alicia O. Hernandez
Jim Hershberger and
Sally Hershberger
Forrest Hirst
Majorie Hill Hoar
Robert R. Holmes

Steve Hornacek
Lt. Col Louis Janos, USA-R
B.L. Jarboe
Maryon Patricia Lears
Hazel A. Lewis
Janis Lewison
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Hugh W. McCarron
Sara C. McGahan
Elizabeth Anne Meek
Mary M. Meurer
George Mitchell
William M. Myers, Jr.
Eugene D. Nasatir
Joseph Pavone
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Lloyd W. Sutherland
Alexander Volk
Harvey M. Weitkamp
Elizabeth Avery Wilson
Mr. Glenn H. Wing

*88 of our charitable
gift annuitants wish
to stay anonymous*

The Foundation also acknowledges the following corporations, foundations and government agencies that support our programs.

Anheuser-Busch

Grandparents Raising Grandchildren

Colorado Attorney General's Office

AARP ElderWatch Program

New York Life Foundation

Grandparents Raising Grandchildren

Robert Wood Johnson Foundation

Physical Activity and Aging

State of Florida

AARP Senior Community Service
Employment Program (SCSEP)

UnitedHealth Foundation

General Support

U.S. Administration on Aging

AARP Caregiver Coalition Research Project

AARP National Legal Training Project

AARP Technical Support for Statewide
Legal Hotlines

AARP West Virginia Senior Medicare Error
Patrol Project

**U.S. Department of Housing and
Urban Development**

AARP Reverse Mortgage Education Project

U.S. Department of Labor

AARP Senior Community Service
Employment Program (SCSEP)

U.S. Internal Revenue Service

AARP Tax-Aide

AARP FOUNDATION BOARD OF DIRECTORS

The Board of Directors of the AARP Foundation is composed of members appointed by the AARP Board of Directors. Each Director serves a two-year term and may be re-appointed to serve a second two-year term. The following were members of the AARP Foundation Board of Directors in 2003:

Rutherford “Jack” Brice

Chair

Decatur, Georgia

Marie F. Smith

Treasurer

Puunene, Hawaii

Pat Lewis

Surprise, Arizona

Erik D. Olsen

Glenbrook, Nevada

Jennie Chin Hansen

San Francisco, California

William D. Novelli

Secretary, ex-officio and CEO of AARP

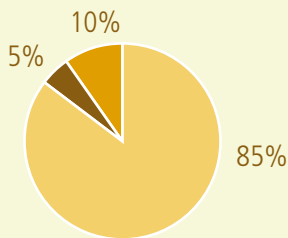
Washington, DC

AARP FOUNDATION 2003 FINANCIAL SUMMARY

The summary of financial information has been extracted from the AARP Foundation audited financial statements for the year ended December 31, 2003 on which an independent public accounting firm expressed an unqualified opinion. The complete audited financial statements can be downloaded from our Web site at www.aarp.org/foundation

Total Expenses

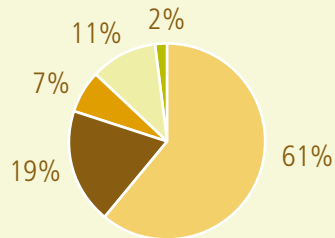
\$101.5 million for the year ended
December 31, 2003



- Program
- Fundraising
- Management and General

Total Revenue

\$111.2 million for the year ended
December 31, 2003



- Grants
- AARP
- Charitable Contributions
- In-kind Contributions
- Investment and Other

AARP FOUNDATION 2003 FINANCIAL SUMMARY

AARP Foundation Consolidated Statements of Financial Position

As of December 31, 2003 and 2002 (in thousands)

	2003	2002
Assets		
Current Assets		
Cash and Cash Equivalents	\$24,312	\$8,272
Contributions Receivable	200	964
Grants Receivable	1,904	6,165
Due from Affiliates	2,048	3,627
Prepaid Expenses and Other Assets	234	364
Total Current Assets	28,698	19,392
Noncurrent Assets		
Investments	10,032	9,074
Charitable Gift Annuity Investments	5,715	2,874
Contributions Receivable	753	813
Total Noncurrent Assets	16,500	12,761
Total Assets	\$45,198	\$32,153
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$6,677	\$4,219
Deferred Revenue	346	357
Charitable Gift Annuity Liability	3,941	2,362
Due to Affiliates	732	1,244
Total Current Liabilities	11,696	8,182
Noncurrent Liabilities		
Due to AARP	1,550	1,550
Accrued Pension Expense	3,854	4,060
Total Noncurrent Liabilities	5,404	5,610
Total Liabilities	17,100	13,792
Net Assets		
Unrestricted		
Undesignated	10,610	13,530
Board Designated	10,000	1,467
Total Unrestricted	20,610	14,997
Temporarily Restricted	7,488	3,364
Total Net Assets	28,098	18,361
Total Liabilities and Net Assets	\$45,198	\$32,153

AARP Foundation Consolidated Statements of Activities

For the Years Ended December 31, 2003 and 2002 (in thousands)

	2003	2002
Revenue		
Grants	\$68,090	\$53,747
AARP Support	21,126	15,541
In-kind Contributions	11,982	10,193
Charitable Contributions	7,403	5,444
Investment Income	1,904	(891)
Litigation and Other	792	1,115
Total Revenue	\$111,297	\$85,149
Expenses		
Program Services	\$86,545	\$74,538
Fundraising	5,018	2,986
Management and General	9,997	6,754
Total Expenses	\$101,560	\$84,278
Change in Net Assets		
Increase in Net Assets	\$9,737	\$871
Net Assets, Beginning of Year	18,361	17,490
Net Assets, End of Year	\$28,098	\$18,361

Our Vision: A society in which everyone ages with dignity and purpose and in which the AARP Foundation helps people fulfill their goals and dreams.



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Washington, DC 20049
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www.aarp.org/foundation

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