

American Council on Science and Health

Financial Statements

June 30, 2015 and 2014

INDEPENDENT AUDITORS' REPORT**The Board of Trustees
American Council on Science and Health**

We have audited the accompanying financial statements of American Council on Science and Health (the "Council") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, 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 of 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 American Council on Science and Health as of June 30, 2015 and 2014, 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.



Stamford, Connecticut
October 7, 2015

American Council on Science and Health

Statements of Financial Position

	June 30,	
	2015	2014
ASSETS		
Cash	\$ 479,630	\$ 271,188
Investments	2,598,136	1,972,792
Contributions receivable, net	1,909	25,650
Prepaid expenses and other current assets	11,819	8,858
Security deposit	68,484	68,484
Property and equipment, net	<u>10,226</u>	<u>13,184</u>
	<u>\$ 3,170,204</u>	<u>\$ 2,360,156</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 38,571	\$ 35,148
Deferred rent liability	<u>29,004</u>	<u>59,538</u>
Total Liabilities	<u>67,575</u>	<u>94,686</u>
Net Assets		
Unrestricted	2,975,040	2,211,362
Temporarily restricted	<u>127,589</u>	<u>54,108</u>
Total Net Assets	<u>3,102,629</u>	<u>2,265,470</u>
	<u>\$ 3,170,204</u>	<u>\$ 2,360,156</u>

See notes to financial statements

American Council on Science and Health

Statements of Activities

	Year Ended June 30, 2015			Year Ended June 30, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE						
Contributions	\$ 2,211,593	\$ 73,481	\$ 2,285,074	\$ 985,139	\$ -	\$ 985,139
Publications revenue	6,393	-	6,393	85,026	-	85,026
Investment income, net	10,569	-	10,569	285,590	-	285,590
Other	-	-	-	188	-	188
Net assets released from restriction	-	-	-	30,000	(30,000)	-
Total Public Support and Revenue	<u>2,228,555</u>	<u>73,481</u>	<u>2,302,036</u>	<u>1,385,943</u>	<u>(30,000)</u>	<u>1,355,943</u>
EXPENSES						
Scientific and educational	916,255	-	916,255	988,546	-	988,546
Management and general	220,925	-	220,925	185,220	-	185,220
Fundraising expenses	<u>327,697</u>	<u>-</u>	<u>327,697</u>	<u>312,767</u>	<u>-</u>	<u>312,767</u>
Total Expenses	<u>1,464,877</u>	<u>-</u>	<u>1,464,877</u>	<u>1,486,533</u>	<u>-</u>	<u>1,486,533</u>
Change in Net Assets	763,678	73,481	837,159	(100,590)	(30,000)	(130,590)
NET ASSETS						
Beginning of year	<u>2,211,362</u>	<u>54,108</u>	<u>2,265,470</u>	<u>2,311,952</u>	<u>84,108</u>	<u>2,396,060</u>
End of year	<u>\$ 2,975,040</u>	<u>\$ 127,589</u>	<u>\$ 3,102,629</u>	<u>\$ 2,211,362</u>	<u>\$ 54,108</u>	<u>\$ 2,265,470</u>

See notes to financial statements

American Council on Science and Health

Statements of Functional Expenses

	Year Ended June 30, 2015				Year Ended June 30, 2014			
	Scientific and Educational	Management and General	Fundraising	Total Expenses	Scientific and Educational	Management and General	Fundraising	Total Expenses
PERSONNEL								
Salaries and wages	\$ 481,468	\$ 110,896	\$ 96,431	\$ 688,795	\$ 533,894	\$ 113,558	\$ 72,179	\$ 719,631
Payroll taxes	38,538	8,876	7,719	55,133	42,400	9,018	5,732	57,150
Employee benefits	46,015	10,599	9,216	65,830	56,902	12,103	7,693	76,698
Pension	<u>34,950</u>	<u>8,050</u>	<u>7,000</u>	<u>50,000</u>	-	-	-	-
Total Personnel	<u>600,971</u>	<u>138,421</u>	<u>120,366</u>	<u>859,758</u>	<u>633,196</u>	<u>134,679</u>	<u>85,604</u>	<u>853,479</u>
OTHER THAN PERSONNEL COSTS								
Direct mail expenses	-	-	112,943	112,943	-	-	128,978	128,978
Insurance	2,569	10,731	1,814	15,114	1,964	8,030	1,291	11,285
Merchant processing fees	2,131	678	420	3,229	4,241	902	573	5,716
Miscellaneous	1,416	450	279	2,145	6,771	1,456	1,167	9,394
Network and computer expenses	4,489	1,428	884	6,801	6,865	1,460	928	9,253
State registration fees	-	-	5,699	5,699	-	-	5,216	5,216
Postage, storage, and freight	2,204	508	441	3,153	2,797	595	378	3,770
Printing and reproduction costs	2,659	-	-	2,659	25,850	-	836	26,686
Professional fees	-	54,892	67,116	122,008	2,496	22,215	69,719	94,430
Rent and utilities	209,064	9,292	13,938	232,294	205,138	9,117	13,676	227,931
Research	71,248	-	-	71,248	70,131	-	-	70,131
Stationery and office supplies	5,421	1,249	1,086	7,756	6,509	1,384	880	8,773
Telephone	8,770	2,020	1,756	12,546	8,374	1,980	1,248	11,602
Travel, meetings, and conventions	<u>1,813</u>	<u>418</u>	<u>363</u>	<u>2,594</u>	<u>2,540</u>	<u>540</u>	<u>343</u>	<u>3,423</u>
Total Other Than Personnel Costs	<u>311,784</u>	<u>81,666</u>	<u>206,739</u>	<u>600,189</u>	<u>343,676</u>	<u>47,679</u>	<u>225,233</u>	<u>616,588</u>
Depreciation	<u>3,500</u>	<u>838</u>	<u>592</u>	<u>4,930</u>	<u>11,674</u>	<u>2,862</u>	<u>1,930</u>	<u>16,466</u>
Total Expenses	<u>\$ 916,255</u>	<u>\$ 220,925</u>	<u>\$ 327,697</u>	<u>\$ 1,464,877</u>	<u>\$ 988,546</u>	<u>\$ 185,220</u>	<u>\$ 312,767</u>	<u>\$ 1,486,533</u>

See notes to financial statements

American Council on Science and Health

Statements of Cash Flows

	Year Ended June 30	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 837,159	\$ (130,590)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gains on investments	41,702	(237,984)
Depreciation	4,930	16,466
Changes in operating assets and liabilities		
Contributions receivable, net	23,741	84,350
Prepaid expenses and other current assets	(2,961)	9,457
Accounts payable and accrued expenses	3,423	(58,590)
Deferred rent liability	(30,534)	(25,506)
Net Cash from Operating Activities	877,460	(342,397)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,972)	-
Proceeds from sale of investments	429,954	754,078
Purchase of investments	(1,097,000)	(419,594)
Net Cash from Investing Activities	(669,018)	334,484
Net Change in Cash	208,442	(7,913)
CASH		
Beginning of year	271,188	279,101
End of year	\$ 479,630	\$ 271,188

See notes to financial statements

American Council on Science and Health

Notes to Financial Statements
June 30, 2015 and 2014

1. Organization and Tax Status

American Council on Science and Health (the "Council") is a nonprofit consumer education consortium concerned with issues related to food, nutrition, chemicals, pharmaceuticals, lifestyle, the environment and health. The Council was organized on January 1, 1977 as an unincorporated association.

The Council is exempt from Federal income tax under Section 501(c)(3) of the United States Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Council's net assets are classified as permanently restricted, temporarily restricted or unrestricted.

Use of Estimates

The preparation of financial statements in accordance with U.S. 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.

Allowance for Doubtful Contributions Receivable

The Council has considered a number of factors in estimating its allowance for doubtful contributions receivable, including the uncertainty of the current economy, ongoing circumstances surrounding contributors' continuing ability to meet their contribution obligations, and contribution payment history. If any of these factors were to change, it could have a material effect on the need for or amount of the estimated allowance. As of June 30, 2015 and 2014, management did not believe an allowance for doubtful contributions receivable was required.

Fair Value of Financial Instruments

The Council follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

American Council on Science and Health

Notes to Financial Statements
June 30, 2015 and 2014

2. Summary of Significant Accounting Policies *(continued)*

Investment Valuation

Investments are reported at fair value. Fair value is 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. See Note 4 for a discussion of fair value measurements.

Purchase and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include gains and losses on investments bought and sold as well as held during the year.

Property and Equipment

Property and equipment are recorded at cost at date of acquisition or, if received through donation, at estimated fair market value on the date received. Major improvements and repairs are capitalized and minor maintenance and repairs of property are expensed as incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets which range from three to five years.

Accounting for Uncertainty in Income Taxes

The Council recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management is not aware of any exposure to uncertain tax positions that require financial statement recognition or disclosure. The Internal Revenue Service ("IRS") conducted an examination of the Council's form 990 for the year ended June 30, 2011, and accepted the return as filed. The Council is no longer subject to examinations by the Federal government for periods ending on or prior to June 30, 2012.

Contributions

Contributions are recorded in the statement of activities when an unconditional promise is received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. Pledges receivable due in more than one year are discounted using a risk adjusted rate of interest. The discount is amortized to contribution income over the expected collection period.

Contributions of assets other than cash are recorded at the estimated fair value on the date of donation.

American Council on Science and Health

Notes to Financial Statements
June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (*continued*)

Advertising

Advertising is expensed as incurred.

Compensated Absences

The Council allows employees to receive compensation for vacation, personal, and sick leave, with certain limitations. The accompanying financial statements include an accrual for unused vacation leave. While unused sick and personal leave may be accumulated indefinitely, it can only be used for actual sick and personal leave and is not payable upon separation of employment. Since the amount of accrued sick and personal leave that will ultimately be taken cannot be reasonably estimated, it is the Council's policy to record the cost when actually paid to employees. As of June 30, 2015 and 2014, the total unused sick and personal leave that could be taken amounts to approximately \$134,600 and \$142,000, respectively.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 7, 2015

3. Concentration of Credit Risk

Financial instruments that potentially subject the Council to significant concentrations of credit risk consist principally of cash and cash equivalents and marketable securities. At times balances held at financial institutions may be in excess of federally insured limits. The Council has not experienced any losses on its holdings at financial institutions.

For the year ended June 30, 2015, one donor accounted for approximately 57% of total contributions. For the year ended June 30, 2014, one donor accounted for approximately 10% of total contributions.

American Council on Science and Health

Notes to Financial Statements
June 30, 2015 and 2014

4. Investments and Investment Returns

The following are the major categories of investments measured at fair value and categorized by the fair value hierarchy at June 30:

Description	2015		
	Level 1	Level 2	Total
Investments			
Equity securities			
Domestic	\$ 1,344,870	\$ -	\$ 1,344,870
Foreign	147,310	-	147,310
Exchange traded funds			
Domestic	124,860	-	124,860
Foreign	52,916	-	52,916
U.S. government agency obligations	-	79,459	79,459
Municipal bonds - taxable	-	111,141	111,141
Corporate bonds	-	737,580	737,580
	<u>\$ 1,669,956</u>	<u>\$ 928,180</u>	<u>\$ 2,598,136</u>

Description	2014		
	Level 1	Level 2	Total
Investments			
Equity securities			
Domestic	\$ 1,070,453	\$ -	\$ 1,070,453
Foreign	151,209	-	151,209
Exchange traded funds			
Domestic	118,810	-	118,810
Foreign	160,211	-	160,211
U.S. government agency obligations	-	82,412	82,412
Municipal bonds - taxable	-	108,463	108,463
Corporate bonds	-	281,234	281,234
	<u>\$ 1,500,683</u>	<u>\$ 472,109</u>	<u>\$ 1,972,792</u>

Following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis. There have been no changes to the methodologies used at June 30, 2015 and 2014.

Equity Securities and Exchange Traded Funds: Valued at the closing price reported on the active market in which the individual securities or funds are traded.

Governmental Obligations and Corporate Bonds: Valued at the closing price reported on the active market on which the individual securities are traded. If prices in active markets are not available, government obligations and corporate bonds are valued based on yields currently available on comparable securities of issues with similar credit ratings.

American Council on Science and Health

Notes to Financial Statements
June 30, 2015 and 2014

4. Investments and Investment Return *(continued)*

Net investment return, including interest on cash, consists of the following for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 69,659	\$ 62,962
Realized gain	65,779	160,026
Unrealized gain	<u>(107,481)</u>	<u>77,958</u>
Investment Income, Gross	27,957	300,946
Less investment fees	<u>(17,388)</u>	<u>(15,356)</u>
Investment Income, Net	<u>\$ 10,569</u>	<u>\$ 285,590</u>

5. Contributions Receivable

Contributions receivable of \$1,909 and \$25,650 at June 30, 2015 and 2014 represent unconditional promises to give to fund operations for the years ended June 30, 2015 and 2014 that were not paid in full prior to June 30, 2015 and 2014. All amounts are due within one year.

6. Property and Equipment

The following is a summary of property and equipment at June 30:

	<u>2015</u>	<u>2014</u>
Office furniture and equipment	\$ 72,530	\$ 86,911
Computers	<u>23,469</u>	<u>144,955</u>
	95,999	231,866
Less accumulated depreciation	<u>(85,773)</u>	<u>(218,682)</u>
	<u>\$ 10,226</u>	<u>\$ 13,184</u>

During 2014, the Council removed from its fixed asset ledger \$137,839 of fully depreciated assets that have been disposed of.

7. Pension Plan

The Council maintains a defined contribution pension plan (the "Plan") qualified under Section 403(b) of the Internal Revenue Code covering all of its eligible employees. Eligible employees may make voluntary contributions to the Plan. Employer contributions to the Plan are at the discretion of the Council and are computed as a percentage of each employee's basic compensation for all enrolled members who have completed one year of service. Employer contributions charged to expense amounted to \$50,000 and \$0 for the years ended June 30, 2015 and 2014.

American Council on Science and Health

Notes to Financial Statements
June 30, 2015 and 2014

8. Operating Lease

The Council has entered into a lease agreement through April 2016 for its office space in New York City. The lease agreement contains provisions for future rent increases and free rent periods. The total amount of rental payments due over the lease term is being charged to rent expense on a straight-line basis over the term of the lease. The cumulative rent expense accrued in excess of the amounts paid is reflected as deferred rent liability in the statement of financial position. Rent expense for 2015 and 2014, including utilities and escalations, totaled \$228,496 and \$227,931, respectively.

As of June 30, 2015, future minimum rental payments of \$193,970 under all operating leases are payable during the year ended June 30, 2016.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of June 30:

	<u>2015</u>	<u>2014</u>
Young scientist in America	\$ 54,108	\$ 54,108
Elizabeth Whelan Chair in Epidemiology	<u>73,481</u>	<u>-</u>
	<u>\$ 127,589</u>	<u>\$ 54,108</u>

Net assets released from temporary restrictions at June 30 by incurring expenses that satisfy the restricted purposes or by the occurrence of other events specified by donors were as follows for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Hydraulic fracturing study	\$ -	\$ 30,000

10. Related Party Transactions

Contributions of approximately \$50,000 and \$44,000 were from board members for the years ended June 30, 2015 and 2014.
