



American Council on Science and Health

Financial Statements

June 30, 2017 and 2016



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, 2017 and 2016, 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 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 American Council on Science and Health as of June 30, 2017 and 2016, 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.

PKF O'Connor Davies, LLP

Stamford, Connecticut
November 30, 2017

American Council on Science and Health

Statements of Financial Position

	June 30,	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 308,370	\$ 220,918
Investments	1,628,549	2,215,787
Contributions receivable	8,055	7,242
Prepaid expenses and other current assets	18,573	26,005
Security deposit	76,602	76,602
Property and equipment, net	<u>15,103</u>	<u>21,174</u>
	<u>\$ 2,055,252</u>	<u>\$ 2,567,728</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 56,259	\$ 51,044
Deferred rent liability	<u>107,734</u>	<u>43,889</u>
Total Liabilities	<u>163,993</u>	<u>94,933</u>
Net Assets		
Unrestricted	1,763,450	2,344,986
Temporarily restricted	<u>127,809</u>	<u>127,809</u>
Total Net Assets	<u>1,891,259</u>	<u>2,472,795</u>
	<u>\$ 2,055,252</u>	<u>\$ 2,567,728</u>

See Notes to Financial Statements

American Council on Science and Health

Statements of Activities

	Year Ended June 30, 2017		Year Ended June 30, 2016	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
		Total		Total
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 1,018,522	\$ 1,018,522	\$ 804,979	\$ 805,199
Bequests	-	-	250,425	250,425
Publications revenue	8,032	8,032	2,985	2,985
Investment income, net	97,938	97,938	82,810	82,810
Other	8,333	8,333	2,000	2,000
Total Public Support and Revenue	<u>1,132,825</u>	<u>1,132,825</u>	<u>1,143,199</u>	<u>1,143,419</u>
EXPENSES				
Scientific and educational	1,223,098	1,223,098	1,300,301	1,300,301
Management and general	169,549	169,549	205,749	205,749
Fundraising expenses	321,714	321,714	267,203	267,203
Total Expenses	<u>1,714,361</u>	<u>1,714,361</u>	<u>1,773,253</u>	<u>1,773,253</u>
Change in Net Assets	(581,536)	(581,536)	(630,054)	(629,834)
NET ASSETS				
Beginning of year	<u>2,344,986</u>	<u>2,472,795</u>	<u>2,975,040</u>	<u>3,102,629</u>
End of year	<u>\$ 1,763,450</u>	<u>\$ 1,891,259</u>	<u>\$ 2,344,986</u>	<u>\$ 2,472,795</u>

American Council on Science and Health

Statements of Functional Expenses

	Year Ended June 30, 2017			Year Ended June 30, 2016				
	Scientific and Educational	Management and General	Fundraising	Total Expenses	Scientific and Educational	Management and General	Fundraising	Total Expenses
PERSONNEL								
Salaries and wages	\$ 634,579	\$ 88,539	\$ 77,411	\$ 800,529	\$ 729,159	\$ 101,770	\$ 88,959	\$ 919,888
Payroll taxes	44,857	6,259	5,472	56,588	54,180	7,562	6,610	68,352
Employee benefits	45,637	6,367	5,567	57,571	57,924	8,085	7,067	73,076
Total Personnel	<u>725,073</u>	<u>101,165</u>	<u>88,450</u>	<u>914,688</u>	<u>841,263</u>	<u>117,417</u>	<u>102,636</u>	<u>1,061,316</u>
OTHER THAN PERSONNEL COSTS								
Direct mail expenses	-	-	144,849	144,849	-	-	78,989	78,989
Insurance	8,047	2,682	2,682	13,411	7,358	2,452	2,452	12,262
Merchant processing fees	1,622	516	320	2,458	1,627	518	321	2,466
Miscellaneous	1,252	914	247	2,413	5,449	2,507	1,073	9,029
Office relocation costs	-	-	-	-	-	12,601	-	12,601
Network and computer expenses	7,007	2,229	1,380	10,616	4,523	1,439	891	6,853
Office equipment rental	3,959	552	483	4,994	4,576	639	558	5,773
Postage, storage, and freight	3,715	437	219	4,371	2,772	326	163	3,261
Printing and reproduction costs	13,501	1,588	794	15,883	2,084	245	123	2,452
Professional fees	11,821	47,396	66,873	126,090	15,517	57,415	66,718	139,650
Rent and utilities	213,054	6,728	4,485	224,267	234,693	7,411	4,941	247,045
Research	130,734	-	-	130,734	93,630	-	-	93,630
State registration fees	-	-	4,345	4,345	-	-	4,232	4,232
Stationery and office supplies	5,767	804	703	7,274	6,486	905	791	8,182
Telephone	5,780	806	705	7,291	9,270	1,294	1,131	11,695
Travel, meetings, and conventions	21,483	-	3,791	25,274	9,505	-	1,677	11,182
Travel - Washington DC	-	3,061	801	3,862	-	-	-	-
Website sidebar placement and other internet costs	65,470	-	-	65,470	57,393	-	-	57,393
Total Other Than Personnel Costs	<u>493,212</u>	<u>67,713</u>	<u>232,677</u>	<u>793,602</u>	<u>454,883</u>	<u>87,752</u>	<u>164,060</u>	<u>706,695</u>
Depreciation	4,813	671	587	6,071	4,155	580	507	5,242
Total Expenses	<u>\$ 1,223,098</u>	<u>\$ 169,549</u>	<u>\$ 321,714</u>	<u>\$ 1,714,361</u>	<u>\$ 1,300,301</u>	<u>\$ 205,749</u>	<u>\$ 267,203</u>	<u>\$ 1,773,253</u>

American Council on Science and Health

Statements of Cash Flows

	Year Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (581,536)	\$ (629,834)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gains on investments	(56,993)	(29,174)
Depreciation	6,071	5,242
Changes in operating assets and liabilities		
Contributions receivable	(813)	(5,333)
Prepaid expenses and other current assets	7,432	(14,186)
Accounts payable and accrued expenses	5,215	12,473
Security deposit	-	(8,118)
Deferred rent liability	63,845	14,885
Net Cash from Operating Activities	(556,779)	(654,045)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(16,190)
Proceeds from sales of investments	700,248	653,352
Purchases of investments	(56,017)	(241,829)
Net Cash from Investing Activities	644,231	395,333
 Net Change in Cash	 87,452	 (258,712)
CASH		
Beginning of year	220,918	479,630
End of year	\$ 308,370	\$ 220,918

See Notes to Financial Statements

American Council on Science and Health

Notes to Financial Statements
June 30, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016

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 Council is no longer subject to examinations by the Federal government for periods ending on or prior to June 30, 2014.

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, 2017 and 2016

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, 2017, the total unused sick and personal leave that could be taken amounts to approximately \$73,000. Additionally, the Council offers to pay one week of salary for each year of service, up to a maximum of 10 weeks of salary, in the event an employee has a serious illness requiring hospitalization. The potential maximum cost that could be incurred under this policy as of June 30, 2017 is approximately \$49,000.

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 November 30, 2017.

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 years ended June 30, 2016, one donor accounted for 100% of the bequests.

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Notes to Financial Statements
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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	2017		Total
	Level 1	Level 2	
Equity securities			
Domestic	\$ 818,464	\$ -	\$ 818,464
Foreign	43,570	-	43,570
Exchange traded funds			
Domestic	70,460	-	70,460
Municipal bonds - taxable	-	111,622	111,622
Corporate bonds	-	584,433	584,433
	<u>\$ 932,494</u>	<u>\$ 696,055</u>	<u>\$ 1,628,549</u>
Description	2016		Total
	Level 1	Level 2	
Equity securities			
Domestic	\$ 1,132,188	\$ -	\$ 1,132,188
Foreign	85,824	-	85,824
Exchange traded funds			
Domestic	114,980	-	114,980
Foreign	50,317	-	50,317
U.S. government agency obligations	-	76,456	76,456
Municipal bonds - taxable	-	116,584	116,584
Corporate bonds	-	639,438	639,438
	<u>\$ 1,383,309</u>	<u>\$ 832,478</u>	<u>\$ 2,215,787</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, 2017 and 2016.

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.

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Notes to Financial Statements
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4. Investments and Investment Return *(continued)*

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

	2017	2016
Interest and dividends	\$ 55,587	\$ 71,220
Realized gains (losses)	169,968	(8,415)
Unrealized gains (losses)	<u>(112,975)</u>	<u>37,589</u>
Investment Income, Gross	112,580	100,394
Less investment fees	<u>(14,642)</u>	<u>(17,584)</u>
Investment Income, Net	<u>\$ 97,938</u>	<u>\$ 82,810</u>

5. Contributions Receivable

Contributions receivable of \$8,055 and \$7,242 at June 30, 2017 and 2016 represent unconditional promises to give to fund operations for the years ended June 30, 2017 and 2016 that were not paid in full prior to June 30, 2017 and 2016. All amounts are due within one year.

6. Property and Equipment

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

	2017	2016
Office furniture and equipment	\$ 87,322	\$ 87,322
Computers	<u>24,867</u>	<u>24,867</u>
	112,189	112,189
Less accumulated depreciation	<u>(97,086)</u>	<u>(91,015)</u>
	<u>\$ 15,103</u>	<u>\$ 21,174</u>

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 \$0 for the years ended June 30, 2017 and 2016.

American Council on Science and Health

Notes to Financial Statements
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8. Operating Lease

The Council has entered into a lease agreement through April 2027 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 2017 and 2016, including utilities and escalations, totaled \$146,820 and \$193,970, respectively.

Future minimum rental payments under the operating lease are payable as follows:

Year Ending June 30,	Amount
2018	\$ 189,225
2019	193,956
2020	198,805
2021	206,372
2022	224,514
Thereafter	1,166,409
	<u>\$ 2,179,281</u>

9. Temporarily Restricted Net Assets

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

	2017	2016
Young scientist in America	\$ 54,108	\$ 54,108
Elizabeth Whelan Chair in Epidemiology	73,701	73,701
	<u>\$ 127,809</u>	<u>\$ 127,809</u>

10. Related Party Transactions

Contributions of approximately \$174,000 and \$65,000 were from board members for the years ended June 30, 2017 and 2016.

The Council pays \$5,000 a month to a company owned by a person who is an officer and board member in exchange for a sidebar located on the company's website displaying links to articles produced by the Council. The Council paid the company \$60,000 and \$55,000 for the years ended June 30, 2017 and 2016.

11. Subsequent Event

In September 2017, the Council entered in a lease for office space in Washington, D.C which commences October 1, 2017. The lease has a term of 7 years and 8 months. The lease contains provisions for rent free periods consisting of the first 3 months of the lease, the first and second months of the second and third years, and the first month of the fourth year. The Council is also responsible for its pro-rata share of increases in real estate tax on the building.

American Council on Science and Health

Notes to Financial Statements
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11. Subsequent Event (continued)

Future minimum rent payments under the lease are as follows:

Year Ending June 30,	Amount
2018	\$ 26,400
2019	44,770
2020	45,889
2021	51,775
2022	57,926
Thereafter	<u>177,382</u>
	<u>\$ 404,142</u>
