

American Council on Science and Health

Financial Statements

June 30, 2014 and 2013

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, 2014 and 2013, 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, 2014 and 2013, 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
January 26, 2015

American Council on Science and Health

Statements of Financial Position

	June 30,	
	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 271,188	\$ 279,101
Investments	1,972,792	2,069,292
Contributions receivable, net	25,650	110,000
Prepaid expenses and other current assets	8,858	18,315
Security deposit	68,484	68,484
Property and equipment, net	<u>13,184</u>	<u>29,650</u>
	<u>\$ 2,360,156</u>	<u>\$ 2,574,842</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 35,148	\$ 93,738
Deferred rent liability	<u>59,538</u>	<u>85,044</u>
Total Liabilities	<u>94,686</u>	<u>178,782</u>
Net Assets		
Unrestricted	2,211,362	2,311,952
Temporarily restricted	<u>54,108</u>	<u>84,108</u>
Total Net Assets	<u>2,265,470</u>	<u>2,396,060</u>
	<u>\$ 2,360,156</u>	<u>\$ 2,574,842</u>

See notes to financial statements

American Council on Science and Health

Statements of Activities

	Year Ended June 30, 2014			Year Ended June 30, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE						
Contributions	\$ 1,070,165	\$ -	\$ 1,070,165	\$ 1,087,946	\$ -	\$ 1,087,946
Publications revenue	-	-	-	127,718	-	127,718
Investment income, net	285,590	-	285,590	236,852	-	236,852
Other	188	-	188	145	-	145
Net assets released from restriction	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>	<u>14,352</u>	<u>(14,352)</u>	<u>-</u>
Total Public Support and Revenue	<u>1,385,943</u>	<u>(30,000)</u>	<u>1,355,943</u>	<u>1,467,013</u>	<u>(14,352)</u>	<u>1,452,661</u>
EXPENSES						
Scientific and educational	988,546	-	988,546	1,208,332	-	1,208,332
Management and general	185,220	-	185,220	243,347	-	243,347
Fundraising expenses	<u>312,767</u>	<u>-</u>	<u>312,767</u>	<u>358,176</u>	<u>-</u>	<u>358,176</u>
Total Expenses	<u>1,486,533</u>	<u>-</u>	<u>1,486,533</u>	<u>1,809,855</u>	<u>-</u>	<u>1,809,855</u>
Change in Net Assets	(100,590)	(30,000)	(130,590)	(342,842)	(14,352)	(357,194)
NET ASSETS						
Beginning of year	<u>2,311,952</u>	<u>84,108</u>	<u>2,396,060</u>	<u>2,654,794</u>	<u>98,460</u>	<u>2,753,254</u>
End 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>

See notes to financial statements

American Council on Science and Health

Statements of Functional Expenses

	Year Ended June 30, 2014				Year Ended June 30, 2013			
	Scientific and Educational	Management and General	Fundraising	Total Expenses	Scientific and Educational	Management and General	Fundraising	Total Expenses
PERSONNEL								
Salaries and wages	\$ 533,894	\$ 113,558	\$ 72,179	\$ 719,631	\$ 699,103	\$ 116,957	\$ 64,644	\$ 880,704
Payroll taxes	42,400	9,018	5,733	57,151	47,417	7,933	4,385	59,735
Employee benefits	58,131	12,364	7,859	78,354	55,474	9,281	5,129	69,884
Pension	-	-	-	-	39,690	6,640	3,670	50,000
Total Personnel	<u>634,425</u>	<u>134,940</u>	<u>85,771</u>	<u>855,136</u>	<u>841,684</u>	<u>140,811</u>	<u>77,828</u>	<u>1,060,323</u>
OTHER THAN PERSONNEL COSTS								
Direct mail expenses	-	-	139,166	139,166	-	-	189,774	189,774
Insurance	1,964	8,030	1,291	11,285	8,581	1,436	793	10,810
Media outreach program	2,193	-	-	2,193	28,434	-	-	28,434
Merchant processing fees	4,241	902	573	5,716	8,716	1,458	806	10,980
Miscellaneous	6,457	2,054	1,272	9,783	5,755	963	532	7,250
Network and computer expenses	6,865	1,460	928	9,253	9,408	1,574	870	11,852
State registration fees	-	-	5,216	5,216	-	-	6,687	6,687
Postage, storage, and freight	2,797	595	378	3,770	2,525	423	234	3,182
Printing and reproduction costs	25,850	-	-	25,850	32,600	-	-	32,600
Professional fees	1,267	21,954	60,465	83,686	1,641	62,060	61,516	125,217
Rent and utilities	205,138	9,117	13,676	227,931	178,970	29,941	16,549	225,460
Research	70,131	-	-	70,131	62,039	-	-	62,039
Stationery and office supplies	6,509	1,384	880	8,773	5,109	855	472	6,436
Telephone	6,495	1,381	878	8,754	8,910	1,491	824	11,225
Travel, meetings, and conventions	2,540	541	343	3,424	2,280	381	211	2,872
Total Other Than Personnel Costs	<u>342,447</u>	<u>47,418</u>	<u>225,066</u>	<u>614,931</u>	<u>354,968</u>	<u>100,582</u>	<u>279,268</u>	<u>734,818</u>
Depreciation	<u>11,674</u>	<u>2,862</u>	<u>1,930</u>	<u>16,466</u>	<u>11,680</u>	<u>1,954</u>	<u>1,080</u>	<u>14,714</u>
Total Expenses	<u>\$ 988,546</u>	<u>\$ 185,220</u>	<u>\$ 312,767</u>	<u>\$ 1,486,533</u>	<u>\$ 1,208,332</u>	<u>\$ 243,347</u>	<u>\$ 358,176</u>	<u>\$ 1,809,855</u>

See notes to financial statements

American Council on Science and Health

Statements of Cash Flows

	Year Ended June 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (130,590)	\$ (357,194)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gains on investments	(237,984)	(180,531)
Depreciation	16,466	14,714
Changes in operating assets and liabilities		
Contributions receivable, net	84,350	(110,000)
Prepaid expenses and other current assets	9,457	4,848
Accounts payable and accrued expenses	(58,590)	(6,427)
Deferred rent liability	<u>(25,506)</u>	<u>(20,587)</u>
Net Cash from Operating Activities	<u>(342,397)</u>	<u>(655,177)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(12,614)
Proceeds from sale of investments	754,078	893,769
Purchase of investments	<u>(419,594)</u>	<u>(289,376)</u>
Net Cash from Investing Activities	<u>334,484</u>	<u>591,779</u>
 Net Change in Cash	 (7,913)	 (63,398)
CASH		
Beginning of year	<u>279,101</u>	<u>342,499</u>
 End of year	 <u>\$ 271,188</u>	 <u>\$ 279,101</u>

See notes to financial statements

American Council on Science and Health

Notes to Financial Statements
June 30, 2014 and 2013

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, 2014 and 2013, 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, 2014 and 2013

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, 2011.

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.

Advertising

Advertising is expensed as incurred.

American Council on Science and Health

Notes to Financial Statements
June 30, 2014 and 2013

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

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, 2014 and 2013, the total unused sick and personal leave that could be taken amounts to approximately \$142,000 and \$102,000, 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 January 26, 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.

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	2014		
	Level 1	Level 2	Total
Investments			
Equity securities			
Equity securities, domestic	\$ 1,070,453	\$ -	\$ 1,070,453
Equity securities, foreign	151,209	-	151,209
Exchange traded funds			
Exchange traded funds, domestic	118,810	-	118,810
Exchange traded funds, 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>

American Council on Science and Health

Notes to Financial Statements
June 30, 2014 and 2013

4. Investments and Investment Return (continued)

Description	2013		Total
	Level 1	Level 2	
Investments			
Equity securities			
Equity securities, domestic	\$ 985,958	\$ -	\$ 985,958
Equity securities, foreign	98,325	-	98,325
Exchange traded funds			
Exchange traded funds, domestic	181,040	-	181,040
Exchange traded funds, foreign	177,009	-	177,009
U.S. government agency obligations	-	163,018	163,018
Municipal bonds - taxable	-	107,443	107,443
Corporate bonds	-	356,499	356,499
	<u>\$ 1,442,332</u>	<u>\$ 626,960</u>	<u>\$ 2,069,292</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, 2014 and 2013.

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.

Mutual Funds: Valued at the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

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.

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

	2014	2013
Interest and dividends	\$ 62,962	\$ 73,213
Realized gain	160,026	168,357
Unrealized gain	<u>77,958</u>	<u>12,174</u>
Investment Income, Gross	300,946	253,744
Less investment fees	<u>(15,356)</u>	<u>(16,892)</u>
Investment Income, Net	<u>\$ 285,590</u>	<u>\$ 236,852</u>

American Council on Science and Health

Notes to Financial Statements
June 30, 2014 and 2013

5. Contributions Receivable

Contributions receivable of \$25,650 and \$110,000 at June 30, 2014 and 2013 represent unconditional promises to give to fund operations for the year ended June 30, 2014 and 2013 that were not paid in full prior to June 30, 2014 and 2013. All amounts are due within one year.

6. Property and Equipment

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

	2014	2013
Office furniture and equipment	\$ 86,911	\$ 86,911
Computers	<u>144,955</u>	<u>144,955</u>
	231,866	231,866
Less accumulated depreciation	<u>(218,682)</u>	<u>(202,216)</u>
	<u>\$ 13,184</u>	<u>\$ 29,650</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 and \$50,000 for the years ended June 30, 2014 and 2013.

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 2014 and 2013, including utilities and escalations, totaled \$227,931 and \$225,460, respectively.

Future minimum rental payments under all operating leases at June 30, 2014 are payable as follows:

Year Ending June 30,	Amount
2015	\$ 228,496
2016	<u>193,970</u>
	<u>\$ 422,466</u>

American Council on Science and Health

Notes to Financial Statements
June 30, 2014 and 2013

9. Temporarily Restricted Net Assets

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

	<u>2014</u>	<u>2013</u>
Young scientist in America	\$ 54,108	\$ 54,108
Hydraulic fracturing study	-	30,000
	<u>\$ 54,108</u>	<u>\$ 84,108</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>2014</u>	<u>2013</u>
Hydraulic fracturing study	\$ 30,000	\$ 10,000
Holiday menu fund	-	4,352
	<u>\$ 30,000</u>	<u>\$ 14,352</u>
