

Action on Smoking and Health Financial Statements December 31, 2017 and 2016



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Action on Smoking and Health
Washington, DC

We have audited the accompanying financial statements of Action on Smoking and Health (a nonprofit organization) which comprise the statements of financial position as of December 31, 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 Action on Smoking and Health as of December 31, 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.

Sygnis, Lemke + Co., LLP

September 25, 2018

ACTION ON SMOKING AND HEALTH
STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,	
ASSETS	2017	2016
Cash and cash equivalents	\$ 1,137,689	\$ 1,445,051
Grants and contributions receivable	334,853	25,000
Due from ASH - International	9,399	-
Due from Framework Convention Alliance	-	1,870
Prepaid expenses and other assets	21,046	27,641
Investments	4,851,264	4,467,087
Property and equipment, net	-	204
TOTAL ASSETS	\$ 6,354,251	\$ 5,966,853
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 56,470	\$ 18,870
Accrued expenses and other liabilities	171,010	172,395
TOTAL LIABILITIES	\$ 227,480	\$ 191,265
NET ASSETS:		
Unrestricted net assets:		
Operation balances	\$ 488,068	\$ 665,171
Funds functioning as endowment	508,660	479,259
Total unrestricted net assets	\$ 996,728	\$ 1,144,430
Temporarily restricted net assets:		
Donor contributions for programs	\$ 256,893	\$ 125,208
Donor contributions for facilities	500,000	500,000
Funds functioning as endowment	1,834,298	1,467,098
Total temporarily restricted net assets	\$ 2,591,191	\$ 2,092,306
Permanently restricted net assets:		
Endowments	\$ 2,538,852	\$ 2,538,852
TOTAL NET ASSETS	\$ 6,126,771	\$ 5,775,588
TOTAL LIABILITIES AND NET ASSETS	\$ 6,354,251	\$ 5,966,853

The accompanying notes are an integral part of these financial statements.

ACTION ON SMOKING AND HEALTH
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT:								
Grants	\$ 27,000	\$ 310,000	\$ -	\$ 337,000	\$ 101,000	\$ 100,000	\$ -	\$ 201,000
Contributions	505,045	-	-	505,045	314,240	60,000	-	374,240
Miscellaneous income	10	-	-	10	400	-	-	400
Net assets released from restrictions	178,315	(178,315)	-	-	109,021	(109,021)	-	-
TOTAL REVENUE AND SUPPORT	\$ 710,370	\$ 131,685	\$ -	\$ 842,055	\$ 524,661	\$ 50,979	\$ -	\$ 575,640
EXPENSES:								
Program services:								
Public education	\$ 841,464	\$ -	\$ -	\$ 841,464	\$ 987,669	\$ -	\$ -	\$ 987,669
Supporting services:								
Management and general	\$ 120,982	\$ -	\$ -	\$ 120,982	\$ 139,955	\$ -	\$ -	\$ 139,955
Fundraising	150,376	-	-	150,376	142,228	-	-	142,228
Total supporting services	\$ 271,358	\$ -	\$ -	\$ 271,358	\$ 282,183	\$ -	\$ -	\$ 282,183
TOTAL EXPENSES	\$ 1,112,822	\$ -	\$ -	\$ 1,112,822	\$ 1,269,852	\$ -	\$ -	\$ 1,269,852
CHANGE IN NET ASSETS FROM OPERATIONS	\$ (402,452)	\$ 131,685	\$ -	\$ (270,767)	\$ (745,191)	\$ 50,979	\$ -	\$ (694,212)
NON-OPERATING REVENUE:								
Loss on disposal of property and equipment	-	-	-	-	(1,962)	-	-	(1,962)
Interest and dividends, net of fees	12,510	99,044	-	111,554	12,275	72,697	-	84,972
Net appreciation in fair value of investments	34,680	475,716	-	510,396	17,002	187,858	-	204,860
Endowment releases	207,560	(207,560)	-	-	197,541	(197,541)	-	-
CHANGE IN NET ASSETS	\$ (147,702)	\$ 498,885	\$ -	\$ 351,183	\$ (520,335)	\$ 113,993	\$ -	\$ (406,342)
NET ASSETS, BEGINNING OF YEAR	1,144,430	2,092,306	2,538,852	5,775,588	1,664,765	1,978,313	2,538,852	6,181,930
NET ASSETS, END OF YEAR	\$ 996,728	\$ 2,591,191	\$ 2,538,852	\$ 6,126,771	\$ 1,144,430	\$ 2,092,306	\$ 2,538,852	\$ 5,775,588

The accompanying notes are an integral part of these financial statements.

ACTION ON SMOKING AND HEALTH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Public Education	Management and General	Fundraising	Total Expenses
Salaries	\$ 489,700	\$ 53,497	\$ 74,072	\$ 617,269
Employee benefits	74,844	8,176	11,321	94,341
Payroll taxes	38,416	4,197	5,810	48,423
Total payroll related expenses	<u>\$ 602,960</u>	<u>\$ 65,870</u>	<u>\$ 91,203</u>	<u>\$ 760,033</u>
Bank fees	-	12,247	-	12,247
Campaigns - Tobacco-free	4,785	-	-	4,785
Communications	13,941	-	-	13,941
Consultants	19,834	2,167	3,000	25,001
Depreciation and amortization	162	18	24	204
Dues and subscriptions	12,451	-	3,244	15,695
Insurance	7,363	804	1,114	9,281
Office expenses	10,907	1,192	1,649	13,748
Postage and shipping	4,276	467	647	5,390
Professional services	48,205	25,481	-	73,686
Promotion and outreach	-	-	28,356	28,356
Registration fees	-	-	3,505	3,505
Repairs and maintenance	12,530	1,369	1,895	15,794
Rent and utilities	43,522	4,755	6,583	54,860
Supplies	9,532	1,041	1,442	12,015
Travel	50,996	5,571	7,714	64,281
TOTAL EXPENSES	<u><u>\$ 841,464</u></u>	<u><u>\$ 120,982</u></u>	<u><u>\$ 150,376</u></u>	<u><u>\$ 1,112,822</u></u>

The accompanying notes are an integral part of these financial statements.

ACTION ON SMOKING AND HEALTH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Public Education	Management and General	Fundraising	Total Expenses
Salaries	\$ 511,760	\$ 66,873	\$ 71,516	\$ 650,149
Employee benefits	79,963	10,449	11,175	101,587
Payroll taxes	39,244	5,128	5,484	49,856
Total payroll related expenses	<u>\$ 630,967</u>	<u>\$ 82,450</u>	<u>\$ 88,175</u>	<u>\$ 801,592</u>
Bank fees	-	10,345	-	10,345
Campaigns - Tobacco-free	22,210	-	-	22,210
Communications	11,044	-	-	11,044
Consultants	6,873	898	960	8,731
Depreciation and amortization	323	42	45	410
Dues and subscriptions	9,606	-	2,598	12,204
Grants	100,000	-	-	100,000
Insurance	8,013	1,047	1,120	10,180
Office expenses	19,243	2,515	2,689	24,447
Postage and shipping	2,601	340	363	3,304
Printing and publications	549	95	54	698
Professional services	56,207	26,538	-	82,745
Promotion and outreach	-	-	24,620	24,620
Registration fees	-	-	4,829	4,829
Repairs and maintenance	7,912	1,034	1,106	10,052
Rent and utilities	85,033	11,111	11,883	108,027
Supplies	5,667	741	792	7,200
Travel	21,421	2,799	2,994	27,214
TOTAL EXPENSES	<u><u>\$ 987,669</u></u>	<u><u>\$ 139,955</u></u>	<u><u>\$ 142,228</u></u>	<u><u>\$ 1,269,852</u></u>

The accompanying notes are an integral part of these financial statements.

ACTION ON SMOKING AND HEALTH

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 351,183	\$ (406,342)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	204	410
Net appreciation in fair value of investments	(510,396)	(204,860)
Loss on disposal of fixed assets	-	1,962
Increase (decrease) in assets:		
Grants and contributions receivable	(309,853)	141,626
Due from ASH - International	(9,399)	-
Due from Framework Convention Alliance	1,870	(1,870)
Prepaid expenses and other assets	6,595	(2,301)
Increase (decrease) in liabilities:		
Accounts payable	37,600	(2,353)
Accrued expenses and other liabilities	(1,385)	7,357
Due to Framework Convention Alliance	-	(52,418)
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (433,581)</u>	<u>\$ (518,789)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales and/or maturities of investments	\$ 1,591,347	\$ 1,619,971
Purchases of investments and reinvested earnings	<u>(1,465,128)</u>	<u>(1,497,870)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>\$ 126,219</u>	<u>\$ 122,101</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (307,362)	\$ (396,688)
CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	<u>1,445,051</u>	<u>1,841,739</u>
END OF YEAR	<u><u>\$ 1,137,689</u></u>	<u><u>\$ 1,445,051</u></u>

The accompanying notes are an integral part of these financial statements.

ACTION ON SMOKING AND HEALTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1. **Nature of Organization** - Action on Smoking and Health (ASH) envisions a world free of tobacco-related damage, disease, and death. This is accomplished by taking action to educate the public and decision makers, track the tobacco industry, and work for sensible public policies at the local, national, and global levels.

ASH works closely with its allies to ensure that the public health community addresses the tobacco epidemic in a unified and coherent manner. ASH is not anti-smoker - it is anti-tobacco. ASH is a leader in this movement and has been since its inception in 1967.

Public Education - ASH strives to raise public awareness on the risks associated with tobacco and engages in global campaigns for the prevention of tobacco-related damages. ASH is also actively involved in promoting public awareness on trade policies involving tobacco, on actions of the tobacco industry, and on poverty and human rights issues linked to tobacco use. ASH wants to make the public cognizant of their rights and their legal protections through the media, newsletters, and direct mail. ASH continues to develop new, effective ways to leverage their experience, expertise, and leadership of the tobacco-free movement to counter the power and influence of the global tobacco industry.

Note 2. **Summary of Significant Accounting Policies**

Basis of Accounting - The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenue and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation - ASH presents its financial statements in accordance with the disclosure and display requirements of the *Financial Statements for Not-For-Profit Organizations* topic of the FASB Accounting Standards Codification. Accordingly, the net assets of ASH are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Net assets of the two restricted classes are created only by contributions with donor-imposed restrictions on their use. All other net assets, including board designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

Under these provisions, net assets, revenue, gains, and losses are classified based on the existence or absence of contributions with donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

ACTION ON SMOKING AND HEALTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 2. **Summary of Significant Accounting Policies** (Continued)

Unrestricted net assets - consists of assets and public support that are available and used for operations and programs. The net assets are not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met by either actions of ASH and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities as net assets released from restrictions. Accumulated earnings on permanently restricted endowment investments are also reported in temporarily restricted net assets.

Permanently restricted net assets - comprised of net assets subject to permanent donor restrictions that stipulate the assets be maintained permanently, but allows part or all of the income from the assets to be spent.

ASH's endowments consist of both donor-restricted endowment funds and funds designated by the Board of Trustees (the Board) to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Measure of Operations - The accompanying statements of activities distinguish between operating and non-operating activities. Operating activities principally include all revenue and expenses that are an integral part of ASH's programs. Non-operating activities principally include investment earnings and gain or loss on the disposal of property and equipment.

Cash and Cash Equivalents - Cash and cash equivalents consist primarily of bank deposits and highly liquid investments. Investments which have original maturity dates of three months or less are considered cash equivalents for the purpose of the statements of cash flows.

Grants and Contributions Receivable - Grants and contributions receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon review of outstanding receivables, historical collection information, and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. As of December 31, 2017, grants and contributions receivable are expected to be collected in less than one year. Therefore, no allowance for doubtful accounts has been established for the years ended December 31, 2017 and 2016.

ACTION ON SMOKING AND HEALTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 2. **Summary of Significant Accounting Policies** (Continued)

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized and realized gains and losses are included in the statements of activities as net appreciation (depreciation) in fair value of investments in the period in which such changes occur. Interest and dividends are recorded when earned. Donated investments are recorded at fair value on the date of donation.

Property and Equipment - Property and equipment are recorded at cost. Major additions, replacements, and betterments with costs of at least \$1,000 and lives greater than one year are capitalized, while maintenance and repairs that do not improve or extend the lives of respective assets are charged to expenses as incurred. Depreciation is computed using the straight-line basis over the useful lives of the assets, which range from three to ten years. Leasehold improvements are amortized over the lesser of the useful life or the life of the lease.

Revenue Recognition - Grants are recognized as revenue in the period in which such promises or agreements are made or when ASH invoices the grantor for expenditures incurred. Contributions, including unconditional promises to give, are recognized as revenue in the period in which they are received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Miscellaneous income is recorded when earned.

Functional Allocation of Expenses - The cost of providing the various programs and other activities has been summarized on a departmental basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Significant 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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes - ASH is a 501(c)(3) organization that is exempt from Federal and District of Columbia income taxes under the provisions of the Internal Revenue Code Section 501(a), except for income unrelated to their exempt purpose. ASH is classified as an organization that is not a private foundation and qualifies for charitable contribution deductions.

ACTION ON SMOKING AND HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 2. **Summary of Significant Accounting Policies** (Continued)

Accounting for Uncertain Tax Provisions - ASH complies with the provisions of Financial Accounting Standards Board Codification topic Accounting for Uncertainty in Income Taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. ASH recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. ASH does not believe its financial statements include any uncertain tax positions. No provision for income taxes is reflected in the accompanying financial statements for the years ended December 31, 2017 and 2016.

ASH's income tax returns are subject to examination by the Internal Revenue Service (IRS) for a period of three years from the date they were filed, except under certain circumstances. The Form 990 tax returns for the years ended December 31, 2014 through 2016 are open for tax examination by the IRS, although no request has been made as of the date of these financial statements.

Note 3. **Property and Equipment** - As of December 31, 2017 and 2016, property and equipment consisted of the following:

	2017	2016
Furniture and equipment	\$ 38,333	\$ 38,333
Less, Accumulated depreciation	(38,333)	(38,129)
Property and equipment, net	\$ -	\$ 204

Property and equipment with a cost basis of \$41,293 and accumulated depreciation of \$39,331 were disposed of during the office relocation during the year ended December 31, 2016.

Note 4. **Investments and Fair Value Measurements** - The accounting standards framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priorities to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are based on unadjusted quoted prices for identical assets traded in active markets that ASH has the ability to access.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data.

ACTION ON SMOKING AND HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 4. **Investments and Fair Value Measurements** (Continued)

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy:

U.S. Government and Corporate Bonds - Consist of corporate bonds, notes, and government agency debt obligations, and are generally valued at the most recent price of the equivalent quoted price for such securities. Debt securities are classified within Level 1 of the valuation hierarchy.

Certificates of Deposit - Valued using identical assets or liabilities in less active markets, such as dealer or broker markets.

Mutual Funds and Common Stocks - Comprised of corporate stock, and are listed on a national market or exchange and are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

The following tables summarize ASH's investments at fair value as of December 31, 2017 and 2016:

	Assets at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 6,029	\$ --	\$ --	\$ 6,029
Certificates of deposit	31,104	--	--	31,104
Mutual funds	4,067,680	--	--	4,067,680
Common stocks	746,451	--	--	746,451
Total assets at fair value	<u>\$ 4,851,264</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,851,264</u>

	Assets at Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
U.S. Government bonds	\$ 219	\$ --	\$ --	\$ 219
Corporate bonds	6,007	--	--	6,007
Certificates of deposit	31,076	--	--	31,076
Mutual funds	3,951,603	--	--	3,951,603
Common stocks	478,182	--	--	478,182
Total assets at fair value	<u>\$ 4,467,087</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,467,087</u>

ACTION ON SMOKING AND HEALTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 4. **Investments and Fair Value Measurements** (Continued)

The following schedule summarizes the investment return including interest and dividends on savings accounts for the years ended December 31:

	2017	2016
Interest and dividends	\$ 139,374	\$ 111,623
Net appreciation (depreciation) in fair value	510,396	204,860
Investment fees	(27,820)	(26,651)
Totals	\$ 621,950	\$ 289,832

Note 5. **Endowments**

Interpretation of Relevant Law - The Board follows the law governing endowments in the District of Columbia, and more specifically: *Charitable and Curative Institutions, Subtitle III. Management of Institutional Funds, Chapter 16a. Uniform Prudent Management of Institutional Funds*. Pursuant to this, capital of donor-restricted endowment funds is preserved and regarded as permanently restricted and the income from such funds is temporarily restricted and can be used to carry out ASH's charitable work.

Investment Policy - ASH's policy is for all investments to be held in the form of conservative mainstream investments such as mutual funds, major high-rated bonds, conservative money market funds, certificates of deposit, and similar investments. The objective is to safeguard the principle while providing a reasonable investment income for ASH. All of ASH's investments are reviewed at least three times a year by the Board.

Spending Policy - ASH has no formally established policy for the appropriation of endowment assets for expenditure. However, it has been the practice of ASH, under direction of the Board, that the interest and dividends on the funds are appropriated for spending when transferred or deposited into operating accounts. If the market value of these funds declines to a level below the original historical dollar amount of the endowment, funds will be transferred from the unrestricted net assets to supplement the restricted endowments.

ASH's endowment net assets consist of the following as of December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ --	\$ 1,834,298	\$ 2,538,852	\$ 4,373,150
Board designated endowment funds	508,660	--	--	508,660
Total funds	\$ 508,660	\$ 1,834,298	\$ 2,538,852	\$ 4,881,810

ACTION ON SMOKING AND HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 5. **Endowments** (Continued)

Changes in the endowment net assets for the year ended December 31, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at				
December 31, 2016	\$ 479,259	\$ 1,467,098	\$ 2,538,852	\$ 4,485,209
Interest and dividends	13,131	124,778	--	137,909
Net appreciation	34,902	475,716	--	510,618
Spending withdrawals	(16,576)	(207,560)	--	(224,136)
Investment fees	<u>(2,056)</u>	<u>(25,734)</u>	<u>--</u>	<u>(27,790)</u>
Balance at				
December 3, 2017	<u>\$ 508,660</u>	<u>\$ 1,834,298</u>	<u>\$ 2,538,852</u>	<u>\$ 4,881,810</u>

ASH's endowment net assets consist of the following as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ --	\$ 1,467,098	\$ 2,538,852	\$ 4,005,950
Board designated endowment funds	<u>479,259</u>	<u>--</u>	<u>--</u>	<u>479,259</u>
Total funds	<u>\$ 479,259</u>	<u>\$ 1,467,098</u>	<u>\$ 2,538,852</u>	<u>\$ 4,485,209</u>

Changes in the endowment net assets for the year ended December 31, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at				
December 31, 2015	\$ 467,792	\$ 1,404,084	\$ 2,538,852	\$ 4,410,728
Interest and dividends	12,854	97,309	--	110,163
Net depreciation	16,751	187,858	--	204,609
Spending withdrawals	(16,128)	(197,541)	--	(213,669)
Investment fees	<u>(2,010)</u>	<u>(24,612)</u>	<u>--</u>	<u>(26,622)</u>
Balance at				
December 31, 2016	<u>\$ 479,259</u>	<u>\$ 1,467,098</u>	<u>\$ 2,538,852</u>	<u>\$ 4,485,209</u>

ACTION ON SMOKING AND HEALTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 6. **Temporarily Restricted Net Assets** - Temporarily restricted net assets were available for the following purposes as of December 31:

	<u>2017</u>	<u>2016</u>
Public education	\$ 256,893	\$ 125,208
Future occupancy needs	500,000	500,000
Accumulated donor-restricted endowment fund earnings	<u>1,834,298</u>	<u>1,467,098</u>
Totals	<u>\$ 2,591,191</u>	<u>\$ 2,092,306</u>

Accumulated donor-restricted endowment fund earnings are available for ASH's programs and reported in temporarily restricted net assets until released for expenditures in accordance with the endowment spending policy.

Note 7. **Lease Commitment** - In 2016, ASH relocated to a new office in Washington, DC once their two operating leases expired. In July 2016, ASH entered into a lease for a shared work space on a month to month basis. In July 2017, ASH entered into a lease agreement for office space for 18 months, ending December 31, 2018. The lease requires monthly payments of \$4,635. Future minimum lease payments for 2018 are \$55,620.

Note 8. **Retirement Plan** - ASH sponsors a defined contribution pension plan that covers all their employees. Employees are eligible to participate in the plan after six months of service. ASH contributed an amount equal to four percent of each participant's gross salary, and contributions totaled \$24,691 and \$26,006 for the years ended December 31, 2017 and 2016, respectively.

Note 9. **Concentrations of Risk** - ASH has cash and cash equivalents deposited with various banks. All accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. From time to time, the cash balances may exceed the insured limits. However, management believes that the credit risk related to the uninsured cash is minimal. ASH invests in U.S. government and corporate bonds, certificates of deposits, mutual funds, and common stocks. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported on the financial statements.

Note 10. **Subsequent Events** - In preparing these financial statements, ASH has evaluated events and transactions for potential recognition or disclosure through September 25, 2018, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further disclosure.