

Action on Smoking and Health Financial Statements December 31, 2015 and 2014



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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, 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 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, 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.

Syware, Lemku + Co., LLP

April 22, 2016

ACTION ON SMOKING AND HEALTH
STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,	
ASSETS	2015	2014
Cash and cash equivalents	\$ 1,841,739	\$ 1,876,279
Grants and contributions receivables	200,966	566,837
Prepaid expenses and other assets	25,340	22,758
Investments	4,384,328	4,814,019
Property and equipment, net	2,576	5,608
TOTAL ASSETS	\$ 6,454,949	\$ 7,285,501
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 21,223	\$ 149,403
Accrued expenses and other liabilities	165,038	170,111
Due to Framework Convention Alliance (Note 10)	52,418	3,786
TOTAL LIABILITIES	\$ 238,679	\$ 323,300
NET ASSETS:		
Unrestricted net assets:		
Operation balances	\$ 1,241,313	\$ 1,395,910
Funds functioning as endowment	467,792	495,728
Total unrestricted net assets	\$ 1,709,105	\$ 1,891,638
Temporarily restricted net assets:		
Donor contributions for programs	\$ 74,229	\$ 248,981
Donor contributions for facilities	500,000	500,000
Funds functioning as endowment	1,404,084	1,782,730
Total temporarily restricted net assets	\$ 1,978,313	\$ 2,531,711
Permanently restricted net assets:		
Endowments	\$ 2,538,852	\$ 2,538,852
TOTAL NET ASSETS	\$ 6,226,270	\$ 6,962,201
TOTAL LIABILITIES AND NET ASSETS	\$ 6,464,949	\$ 7,285,501

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, 2015 AND 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT:								
Grants	\$ 124,340	\$ 859,918	\$ -	\$ 984,258	\$ 276,681	\$ 1,303,826	\$ -	\$ 1,580,507
Contributions	256,842	-	-	256,842	313,120	10,000	-	323,120
Miscellaneous income	250	-	-	250	-	-	-	-
Net assets released from restrictions	1,034,670	(1,034,670)	-	-	1,723,882	(1,723,882)	-	-
TOTAL REVENUE AND SUPPORT	<u>\$ 1,416,102</u>	<u>\$ (174,752)</u>	<u>\$ -</u>	<u>\$ 1,241,350</u>	<u>\$ 2,313,683</u>	<u>\$ (410,056)</u>	<u>\$ -</u>	<u>\$ 1,903,627</u>
EXPENSES:								
Program services:								
Public education	\$ 1,533,478	\$ -	\$ -	\$ 1,533,478	\$ 1,949,661	\$ -	\$ -	\$ 1,949,661
Supporting services:								
Management and general	\$ 165,746	\$ -	\$ -	\$ 165,746	\$ 179,476	\$ -	\$ -	\$ 179,476
Fundraising	126,690	-	-	126,690	127,462	-	-	127,462
Total supporting services	\$ 292,436	\$ -	\$ -	\$ 292,436	\$ 306,938	\$ -	\$ -	\$ 306,938
TOTAL EXPENSES	<u>\$ 1,825,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,825,914</u>	<u>\$ 2,256,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,256,599</u>
CHANGE IN NET ASSETS FROM OPERATIONS	\$ (409,812)	\$ (174,752)	\$ -	\$ (584,564)	\$ 57,084	\$ (410,056)	\$ -	\$ (352,972)
NON-OPERATING REVENUE:								
Interest and dividends	20,364	143,618	-	163,982	26,620	215,694	-	242,314
Net depreciation in fair value of investments	206,915	(522,264)	-	(315,349)	(7,146)	(41,329)	-	(48,475)
CHANGE IN NET ASSETS	\$ (182,533)	\$ (553,398)	\$ -	\$ (735,931)	\$ 76,558	\$ (235,691)	\$ -	\$ (159,133)
NET ASSETS, BEGINNING OF YEAR	1,891,638	2,531,711	2,538,852	6,962,201	1,815,080	2,767,402	2,538,852	7,121,334
NET ASSETS, END OF YEAR	<u>\$ 1,709,105</u>	<u>\$ 1,978,313</u>	<u>\$ 2,538,852</u>	<u>\$ 6,226,270</u>	<u>\$ 1,891,638</u>	<u>\$ 2,531,711</u>	<u>\$ 2,538,852</u>	<u>\$ 6,962,201</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, 2015

	Public Education	Management and General	Fundraising	Total Expenses
Salaries	\$ 558,650	\$ 57,591	\$ 61,873	\$ 678,114
Employee benefits	71,526	7,374	7,921	86,821
Payroll taxes	43,006	4,433	4,763	52,202
Total payroll related expenses	<u>\$ 673,182</u>	<u>\$ 69,398</u>	<u>\$ 74,557</u>	<u>\$ 817,137</u>
Bank fees	-	14,827	-	14,827
Campaigns - Tobacco-free	21,058	-	-	21,058
Communications	26,782	-	-	26,782
Conferences and meetings	51,302	3,333	-	54,635
Consultants	134,683	-	2,900	137,583
Depreciation and amortization	2,547	243	242	3,032
Dues and subscriptions	12,976	-	1,770	14,746
Grants	351,931	-	-	351,931
Insurance	12,462	1,187	1,187	14,836
Investment management fees	-	28,045	-	28,045
Office expenses	25,322	2,412	2,411	30,145
Postage and shipping	5,557	529	530	6,616
Printing and publications	3,661	550	147	4,358
Professional services	65,253	32,557	-	97,810
Promotion and outreach	-	-	26,353	26,353
Registration fees	-	-	3,926	3,926
Repairs and maintenance	8,325	793	793	9,911
Rent and utilities	101,188	9,637	9,637	120,462
Supplies	4,203	400	401	5,004
Travel	33,046	1,835	1,836	36,717
TOTAL EXPENSES	<u><u>\$ 1,533,478</u></u>	<u><u>\$ 165,746</u></u>	<u><u>\$ 126,690</u></u>	<u><u>\$ 1,825,914</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, 2014

	Public Education	Management and General	Fundraising	Total Expenses
Salaries	\$ 671,195	\$ 63,923	\$ 63,923	\$ 799,041
Employee benefits	112,742	10,738	10,737	134,217
Payroll taxes	51,831	4,936	4,937	61,704
Total payroll related expenses	<u>\$ 835,768</u>	<u>\$ 79,597</u>	<u>\$ 79,597</u>	<u>\$ 994,962</u>
Bank fees	-	15,460	-	15,460
Campaigns - Tobacco-free	215,715	-	-	215,715
Communications	44,365	-	-	44,365
Conferences and meetings	41,910	3,333	-	45,243
Consultants	82,890	-	2,900	85,790
Depreciation and amortization	4,100	390	391	4,881
Dues and subscriptions	14,331	-	1,954	16,285
Grants	408,181	-	-	408,181
Insurance	17,139	1,632	1,633	20,404
Investment management fees	-	29,869	-	29,869
Office expenses	41,672	3,969	3,968	49,609
Postage and shipping	14,004	1,334	1,334	16,672
Printing and publications	13,022	2,333	147	15,502
Professional services	65,253	28,624	-	93,877
Promotion and outreach	-	-	19,028	19,028
Registration fees	-	-	3,576	3,576
Repairs and maintenance	6,825	650	650	8,125
Rent and utilities	98,275	9,360	9,359	116,994
Supplies	9,026	860	859	10,745
Travel	37,185	2,065	2,066	41,316
TOTAL EXPENSES	<u><u>\$ 1,949,661</u></u>	<u><u>\$ 179,476</u></u>	<u><u>\$ 127,462</u></u>	<u><u>\$ 2,256,599</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,	
	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (735,931)	\$ (159,133)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	3,032	4,881
Net depreciation in fair value of investments	315,349	48,475
Decrease (increase) in assets:		
Grants and contributions receivable	365,871	(279,337)
Prepaid expenses and other assets	(2,582)	(8,853)
Increase (decrease) in liabilities:		
Accounts payable	(128,180)	119,488
Accrued expenses and other liabilities	(5,073)	4,850
Due to Framework Convention Alliance	48,632	(43,065)
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (138,882)</u>	<u>\$ (312,694)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales and/or maturities of investments	\$ 2,741,039	\$ 1,516,885
Purchases of investments and reinvested earnings	<u>(2,626,697)</u>	<u>(1,473,911)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>\$ 114,342</u>	<u>\$ 42,974</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 \$ (24,540)	 \$ (269,720)
 CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	 <u>1,876,279</u>	 <u>2,145,999</u>
END OF YEAR	 <u>\$ 1,851,739</u>	 <u>\$ 1,876,279</u>

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

ACTION ON SMOKING AND HEALTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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.

Basis of Presentation - Net assets, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of ASH and changes therein, are classified and reported as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations. Board designated funds are unrestricted.

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. Accumulated earnings on permanently restricted endowment investments are also reported in temporarily restricted net assets.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by ASH.

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.

ACTION ON SMOKING AND HEALTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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

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, 2015, grants and contributions receivable of \$200,966 are expected to be collected in less than one year.

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 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 - Furniture 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 provided on 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. Contributions received with donor restrictions are recorded as temporarily or permanently restricted revenue based on the donor's intent. Expirations of temporary restrictions are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Management believes all grants and contribution receivables are fully collectible and no provision for doubtful promises to give is necessary. 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.

ACTION ON SMOKING AND HEALTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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

Use of Estimates in Preparing Financial Statements - 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3. **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. 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, 2015 and 2014.

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 ending December 31, 2012 through 2014 are open for tax examination by the IRS, although no request has been made as of the date of these financial statements.

Note 4. **Property and Equipment** - As of December 31, 2015 and 2014, property and equipment consisted of the following:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 73,596	\$ 73,596
Leasehold improvements	<u>6,030</u>	<u>6,030</u>
Totals	\$ 79,626	\$ 79,626
Less, Accumulated depreciation	<u>(77,050)</u>	<u>(74,018)</u>
Property and equipment, net	<u>\$ 2,576</u>	<u>\$ 5,608</u>

For the years ended December 31, 2015 and 2014, depreciation and amortization expense totaled \$3,032 and \$4,881, respectively.

Note 5. **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:

ACTION ON SMOKING AND HEALTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 5. **Investments and Fair Value Measurements** (Continued)

- 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.
- 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 Fund 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 set forth by level, within the fair value hierarchy, ASH's investments at fair value as of December 31, 2015 and 2014:

	Assets at Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
U.S. Government bonds	\$ 269	\$ --	\$ --	\$ 269
Corporate bonds	6,030	--	--	6,030
Certificates of deposit	31,076	--	--	31,076
Mutual funds	3,729,916	--	--	3,729,916
Common stocks	<u>617,037</u>	<u>--</u>	<u>--</u>	<u>617,037</u>
Total assets at fair value	<u>\$ 4,384,328</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,384,328</u>

ACTION ON SMOKING AND HEALTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 5. **Investments and Fair Value Measurements** (Continued)

	Assets at Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
U.S. Government bonds	\$ 307	\$ --	\$ --	\$ 307
Corporate bonds	6,523	--	--	6,523
Certificates of deposit	31,056	--	--	31,056
Mutual funds	4,075,163	--	--	4,075,163
Common stocks	700,970	--	--	700,970
Total assets at fair value	\$ 4,814,019	\$ --	\$ --	\$ 4,814,019

The following schedule summarizes the investment return for the years ended December 31:

	2015	2014
Interest and dividends	\$ 163,982	\$ 242,314
Net depreciation in fair value	(315,349)	(48,475)
Totals	\$ (151,367)	\$ 193,839

Note 6. **Endowments** - 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.

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, the Board has determined that the capital of donor-restricted endowment funds should be preserved and regarded as restricted and that the income from such funds 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.

ACTION ON SMOKING AND HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 6. **Endowments** (Continued)

ASH's endowment net assets consist of the following as of December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ --	\$ 1,404,084	\$ 2,538,852	\$ 3,942,936
Board designated endowment funds	<u>467,792</u>	<u>--</u>	<u>--</u>	<u>467,792</u>
Total funds	<u>\$ 467,792</u>	<u>\$ 1,404,084</u>	<u>\$ 2,538,852</u>	<u>\$ 4,410,728</u>

Changes in the endowment net assets for the year ended December 31, 2015 are as follow:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at December 31, 2014	\$ 495,728	\$ 1,782,730	\$ 2,538,852	\$ 4,817,310
Interest and dividends	18,350	143,618	--	161,968
Net depreciation	(27,404)	(287,266)	--	(314,670)
Spending withdrawals	(16,804)	(208,994)	--	(225,798)
Investment fees	<u>(2,078)</u>	<u>(26,004)</u>	<u>--</u>	<u>(28,082)</u>
Balance at December 31, 2015	<u>\$ 467,792</u>	<u>\$ 1,404,084</u>	<u>\$ 2,538,852</u>	<u>\$ 4,410,728</u>

ASH's endowment net assets consist of the following as of December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ --	\$ 1,782,730	\$ 2,538,852	\$ 4,321,582
Board designated endowment funds	<u>495,728</u>	<u>--</u>	<u>--</u>	<u>495,728</u>
Total funds	<u>\$ 495,728</u>	<u>\$ 1,782,730</u>	<u>\$ 2,538,852</u>	<u>\$ 4,817,310</u>

ACTION ON SMOKING AND HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 6. **Endowments** (Continued)

Changes in the endowment net assets for the year ended December 31, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at				
December 31, 2013	\$ 499,184	\$ 1,857,542	\$ 2,538,852	\$ 4,895,578
Interest and dividends	24,057	215,694	--	239,751
Net depreciation	(7,599)	(41,328)	--	(48,927)
Spending withdrawals	(17,785)	(221,568)	--	(239,353)
Investment fees	<u>(2,129)</u>	<u>(27,610)</u>	<u>--</u>	<u>(29,739)</u>
Balance at				
December 31, 2014	<u>\$ 495,728</u>	<u>\$ 1,782,730</u>	<u>\$ 2,538,852</u>	<u>\$ 4,817,310</u>

Note 7. **Temporarily Restricted Net Assets** - Temporarily restricted net assets were available for the following purposes as of December 31:

	<u>2015</u>	<u>2014</u>
Public education	\$ 74,229	\$ 248,981
Future occupancy needs	500,000	500,000
Accumulated donor-restricted endowment fund earnings	<u>1,404,084</u>	<u>1,782,730</u>
Totals	<u>\$ 1,978,313</u>	<u>\$ 2,531,711</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 8. **Lease Commitment** - ASH currently leases two office spaces in Washington, D.C. under non-cancelable operating leases. On August 19, 2013, ASH extended both of their leases through August 31, 2016 and September 30, 2016, respectively.

Future minimum lease payments for the year ending December 31, 2016 are \$87,455.

Rent expense, including operating expenses, for the years ended December 31, 2015 and 2014 totaled \$120,462 and \$116,994 respectively.

Note 9. **Retirement Plan** - ASH sponsors a defined contribution pension plan that covers all the 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 \$30,211 and \$33,712 for the years ended December 31, 2015 and 2014, respectively.

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NOTES TO FINANCIAL STATEMENTS

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- Note 10. **Related Party Transactions** - ASH's Executive Director, Chief Operating Officer, and other ASH staff are involved in the operations of the Framework Convention Alliance (the FCA), a consortium of over 350 non-government organizations from more than 100 countries working on the development, ratification, and implementation of the international treaty, the World Health Organization's Framework Convention on Tobacco Control. ASH is a member of the FCA and supports the coalition with in-kind contributions as well as reimbursements for various expenses incurred in support of the FCA's global program of work, which align with ASH's mission. ASH's staff is not compensated by the FCA for their contributions. For the years ended December 31, 2015 and 2014, expenses paid by ASH on behalf of the FCA totaled \$250,548 and \$160,847, respectively.
- Note 11. **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, and mutual fund 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 12. **Subsequent Events** - In preparing these financial statements, ASH has evaluated events and transactions for potential recognition or disclosure through April 22, 2016, 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.