

**Action on Smoking and Health
Financial Statements
December 31, 2014 and 2013**



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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 which comprise the statements of financial position as of December 31, 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 audits 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 Action on Smoking and Health as of December 31, 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.

Syouse, Lember + Co., LLP

March 30, 2015

ACTION ON SMOKING AND HEALTH
STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,	
ASSETS	2014	2013
Cash and cash equivalents	\$ 1,876,279	\$ 2,145,999
Grants and contributions receivables	566,837	287,500
Prepaid expenses and other assets	22,758	13,905
Investments	4,814,019	4,905,468
Property and equipment, net	5,608	10,489
TOTAL ASSETS	\$ 7,285,501	\$ 7,363,361
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 149,403	\$ 29,915
Accrued expenses and other liabilities	170,111	165,261
Due to Framework Convention Alliance (Note 10)	3,786	46,851
TOTAL LIABILITIES	\$ 323,300	\$ 242,027
NET ASSETS:		
Unrestricted net assets:		
Operation balances	\$ 1,395,910	\$ 1,315,896
Funds functioning as endowment	495,728	499,184
Total unrestricted net assets	\$ 1,891,638	\$ 1,815,080
Temporarily restricted net assets:		
Donor contributions for programs	\$ 248,981	\$ 409,860
Donor contributions for facilities	500,000	500,000
Funds functioning as endowment	1,782,730	1,857,542
Total temporarily restricted net assets	\$ 2,531,711	\$ 2,767,402
Permanently restricted net assets:		
Endowments	\$ 2,538,852	\$ 2,538,852
TOTAL NET ASSETS	\$ 6,962,201	\$ 7,121,334
TOTAL LIABILITIES AND NET ASSETS	\$ 7,285,501	\$ 7,363,361

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, 2014 AND 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT:								
Grants	\$ 276,681	\$ 1,303,826	\$ -	\$ 1,580,507	\$ 45,000	\$ 1,648,910	\$ -	\$ 1,693,910
Contributions	313,120	10,000	-	323,120	533,272	-	-	533,272
Interest and dividends	26,620	215,694	-	242,314	32,798	177,616	-	210,414
Miscellaneous income	-	-	-	-	1,836	-	-	1,836
Net assets released from restrictions	1,723,882	(1,723,882)	-	-	1,055,050	(1,055,050)	-	-
TOTAL REVENUE AND SUPPORT	<u>\$ 2,340,303</u>	<u>\$ (194,362)</u>	<u>\$ -</u>	<u>\$ 2,145,941</u>	<u>\$ 1,667,956</u>	<u>\$ 771,476</u>	<u>\$ -</u>	<u>\$ 2,439,432</u>
EXPENSES:								
Program services:								
Public education	\$ 1,949,661	\$ -	\$ -	\$ 1,949,661	\$ 1,841,313	\$ -	\$ -	\$ 1,841,313
Supporting services:								
Management and general	\$ 179,476	\$ -	\$ -	\$ 179,476	\$ 162,310	\$ -	\$ -	\$ 162,310
Fundraising	127,462	-	-	127,462	127,423	-	-	127,423
Total supporting services	<u>\$ 306,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 306,938</u>	<u>\$ 289,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,733</u>
TOTAL EXPENSES	<u>\$ 2,256,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,256,599</u>	<u>\$ 2,131,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,131,046</u>
CHANGE IN NET ASSETS FROM OPERATIONS	\$ 83,704	\$ (194,362)	\$ -	\$ (110,658)	\$ (463,090)	\$ 771,476	\$ -	\$ 308,386
NON-OPERATING REVENUE:								
Net (depreciation) appreciation in fair value of investments	(7,146)	(41,329)	-	(48,475)	13,347	492,987	-	506,334
CHANGE IN NET ASSETS	\$ 76,558	\$ (235,691)	\$ -	\$ (159,133)	\$ (449,743)	\$ 1,264,463	\$ -	\$ 814,720
NET ASSETS, BEGINNING OF YEAR	1,815,080	2,767,402	2,538,852	7,121,334	2,264,823	1,502,939	2,538,852	6,306,614
NET ASSETS, END OF YEAR	<u>\$ 1,891,638</u>	<u>\$ 2,531,711</u>	<u>\$ 2,538,852</u>	<u>\$ 6,962,201</u>	<u>\$ 1,815,080</u>	<u>\$ 2,767,402</u>	<u>\$ 2,538,852</u>	<u>\$ 7,121,334</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
Investment management fees	-	29,869	-	29,869
Tobacco-free campaigns	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
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
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Public Education	Management and General	Fundraising	Total Expenses
Salaries	\$ 584,227	\$ 62,818	\$ 66,482	\$ 713,527
Employee benefits	90,192	9,900	9,900	109,992
Payroll taxes	45,747	5,021	5,021	55,789
Total payroll related expenses	\$ 720,166	\$ 77,739	\$ 81,403	\$ 879,308
Bank fees	-	11,144	-	11,144
Investment management fees	-	18,145	-	18,145
Tobacco-free campaigns	146,307	-	-	146,307
Communications	56,271	-	-	56,271
Conferences and meetings	83,951	3,333	-	87,284
Consultants	155,527	-	2,900	158,427
Depreciation and amortization	4,865	525	550	5,940
Dues and subscriptions	16,445	-	2,242	18,687
Grants	373,149	-	-	373,149
Insurance	20,237	2,185	2,287	24,709
Office expenses	48,953	5,284	5,534	59,771
Postage and shipping	13,053	1,409	1,476	15,938
Printing and publications	1,003	75	147	1,225
Professional services	58,599	29,223	-	87,822
Promotion and outreach	2,056	-	12,725	14,781
Registration fees	-	-	4,385	4,385
Repairs and maintenance	2,843	307	321	3,471
Rent and utilities	96,087	10,372	10,861	117,320
Supplies	4,713	509	532	5,754
Travel	37,088	2,060	2,060	41,208
TOTAL EXPENSES	<u>\$ 1,841,313</u>	<u>\$ 162,310</u>	<u>\$ 127,423</u>	<u>\$ 2,131,046</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,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (159,133)	\$ 814,720
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,881	5,940
Net depreciation (appreciation) in fair value of investments	48,475	(506,334)
(Increase) decrease in assets:		
Grants and contributions receivable	(279,337)	34,133
Prepaid expenses and other assets	(8,853)	23,848
Increase (decrease) in liabilities:		
Accounts payable	119,488	(148,443)
Due to Framework Convention Alliance	(43,065)	(45,619)
Accrued expenses and other liabilities	4,850	(2,813)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ (312,694)	\$ 175,432
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales and/or maturities of investments	\$ 1,516,885	\$ 3,046,475
Purchases of investments and reinvested earnings	(1,473,911)	(3,825,022)
Purchases of property and equipment	-	(967)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ 42,974	\$ (779,514)
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (269,720)	\$ (604,082)
CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	2,145,999	2,750,081
END OF YEAR	\$ 1,876,279	\$ 2,145,999

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

ACTION ON SMOKING AND HEALTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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.

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.

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.

ACTION ON SMOKING AND HEALTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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

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, 2014, grants and contributions receivable of \$566,837 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 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.

Revenue Recognition - Contributions, including unconditional promises to give, are recognized as revenue in the period in which they are received. 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. 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.

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.

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.

ACTION ON SMOKING AND HEALTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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 has been 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, 2014 and 2013.

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, 2011 through 2013 are open for a 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, 2014 and 2013, property and equipment consisted of the following:

	<u>2014</u>	<u>2013</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>(74,018)</u>	<u>(69,137)</u>
Property and equipment, net	<u>\$ 5,608</u>	<u>\$ 10,489</u>

For the years ended December 31, 2014 and 2013, depreciation and amortization expense totaled \$4,881 and \$5,940, 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:

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.

ACTION ON SMOKING AND HEALTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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

The following is a description of the valuation methodologies used for instruments measured at fair value and their classification in 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 Equity Securities - 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.

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.

The following tables set forth by level, within the fair value hierarchy, ASH's investments at fair value as of December 31, 2014 and 2013:

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

Assets at Fair Value as of December 31, 2013				
	Level 1	Level 2	Level 3	Total
U.S. Government bonds	\$ 391	\$ --	\$ --	\$ 391
Corporate bonds	22,001	--	--	22,001
Certificates of deposit	31,025	--	--	31,025
Mutual funds	4,162,807	--	--	4,162,807
Common stocks	689,244	--	--	689,244
Total assets at fair value	\$ 4,905,468	\$ --	\$ --	\$ 4,905,468

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

	2014	2013
Interest and dividends	\$ 242,314	\$ 210,414
Net (depreciation) appreciation in fair value	(48,475)	506,334
Totals	\$ 193,839	\$ 716,748

ACTION ON SMOKING AND HEALTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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 interprets the law to be the law governing such matters 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.

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>
Balance at December 31, 2014	<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, 2014 AND 2013

Note 6. **Endowments** (Continued)

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

	<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	215,693	--	239,750
Net depreciation	(7,599)	(41,328)	--	(48,927)
Spending withdrawals	(17,785)	(221,567)	--	(239,352)
Investment fees	(2,129)	(27,610)	--	(29,739)
Balance at December 31, 2014	<u>\$ 495,728</u>	<u>\$ 1,782,730</u>	<u>\$ 2,538,852</u>	<u>\$ 4,817,310</u>

ASH's endowment net assets consist of the following as of December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ --	\$ 1,857,542	\$ 2,538,852	\$ 4,396,394
Board-designated endowment funds	<u>499,184</u>	<u>--</u>	<u>--</u>	<u>499,184</u>
Balance at December 31, 2013	<u>\$ 499,184</u>	<u>\$ 1,857,542</u>	<u>\$ 2,538,852</u>	<u>\$ 4,895,578</u>

Changes in the endowment net assets for the year ended December 31, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at December 31, 2012	\$ 724,894	\$ 947,588	\$ 2,538,852	\$ 4,211,334
Interest and dividends	16,591	177,616	--	194,207
Net appreciation	14,432	492,987	--	507,419
Spending withdrawals	(2,572)	(31,660)	--	(34,232)
Investment fees	(1,406)	(16,739)	--	(18,145)
Reclassification	(252,755)	287,750	--	34,995
Balance at December 31, 2013	<u>\$ 499,184</u>	<u>\$ 1,857,542</u>	<u>\$ 2,538,852</u>	<u>\$ 4,895,578</u>

ACTION ON SMOKING AND HEALTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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

	<u>2014</u>	<u>2013</u>
Public education	\$ 248,981	\$ 409,860
Future occupancy needs	500,000	500,000
Accumulated donor-restricted endowment fund earnings	<u>1,782,730</u>	<u>1,857,542</u>
Totals	<u>\$ 2,531,711</u>	<u>\$ 2,767,402</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 years ending December 31:

2015	\$ 120,462
2016	<u>87,455</u>
Totals	<u>\$ 207,917</u>

Rent expense, including operating expenses, for the years ended December 31, 2014 and 2013 totaled \$116,994 and \$117,320 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. For the years ended December 31, 2014 and 2013, ASH contributed an amount equal to four percent of each participant's gross salary. Contributions totaled \$33,712 and \$26,529 for the years ended December 31, 2014 and 2013, respectively.

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, 2014 and 2013, expenses paid by ASH on behalf of the FCA totaled \$160,847 and \$118,017, respectively.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

- 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.
- Note 12. **Subsequent Events** - In preparing these financial statements, ASH has evaluated events and transactions for potential recognition or disclosure through March 30, 2015, 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.