



**American Council on Science and Health, Inc.**

**Financial Statements**

**June 30, 2018 and 2017**

## INDEPENDENT AUDITORS' REPORT

### **The Board of Trustees American Council on Science and Health, Inc.**

We have audited the accompanying financial statements of American Council on Science and Health, Inc. (the "Council") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Council on Science and Health, Inc. as of June 30, 2018 and 2017, 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.

**The Board of Trustees  
American Council on Science and Health, Inc.**

Page 2

***Substantial Doubt about the Organization's Ability to Continue as a Going Concern***

The accompanying financial statements have been prepared assuming that the Council will continue as a going concern. As discussed in Note 3 to the financial statements, the Council's significant decreases in net assets raises substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

*PKF O'Connor Davies, LLP*

Stamford, Connecticut  
February 11, 2019

**American Council on Science and Health, Inc.**

Statements of Financial Position

	June 30,	
	2018	2017
<b>ASSETS</b>		
Cash	\$ 94,345	\$ 308,370
Investments	996,298	1,628,549
Contributions receivable	120,801	8,055
Prepaid expenses and other current assets	33,578	18,573
Security deposit	82,602	76,602
Property and equipment, net	<u>19,335</u>	<u>15,103</u>
	<u>\$ 1,346,959</u>	<u>\$ 2,055,252</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 92,514	\$ 56,259
Deferred rent liability	<u>150,250</u>	<u>107,734</u>
Total Liabilities	<u>242,764</u>	<u>163,993</u>
 Net Assets		
Unrestricted	943,324	1,763,450
Temporarily restricted	<u>160,871</u>	<u>127,809</u>
Total Net Assets	<u>1,104,195</u>	<u>1,891,259</u>
	<u>\$ 1,346,959</u>	<u>\$ 2,055,252</u>

See Notes to Financial Statements

**American Council on Science and Health, Inc.**

Statements of Activities

	Year Ended June 30, 2018			Year Ended June 30, 2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE</b>						
Contributions	\$ 1,020,783	\$ 76,582	\$ 1,097,365	\$ 1,018,522	\$ -	\$ 1,018,522
Publications revenue	3,516	-	3,516	8,032	-	8,032
Investment income, net	96,526	-	96,526	97,938	-	97,938
Other	-	-	-	8,333	-	8,333
Net assets released from restriction	43,520	(43,520)	-	-	-	-
Total Public Support and Revenue	<u>1,164,345</u>	<u>33,062</u>	<u>1,197,407</u>	<u>1,132,825</u>	<u>-</u>	<u>1,132,825</u>
<b>EXPENSES</b>						
Scientific and educational	1,409,371	-	1,409,371	1,223,098	-	1,223,098
Management and general	152,861	-	152,861	169,549	-	169,549
Fundraising	422,239	-	422,239	321,714	-	321,714
Total Expenses	<u>1,984,471</u>	<u>-</u>	<u>1,984,471</u>	<u>1,714,361</u>	<u>-</u>	<u>1,714,361</u>
 Change in Net Assets	 (820,126)	 33,062	 (787,064)	 (581,536)	 -	 (581,536)
<b>NET ASSETS</b>						
Beginning of year	<u>1,763,450</u>	<u>127,809</u>	<u>1,891,259</u>	<u>2,344,986</u>	<u>127,809</u>	<u>2,472,795</u>
End of year	<u>\$ 943,324</u>	<u>\$ 160,871</u>	<u>\$ 1,104,195</u>	<u>\$ 1,763,450</u>	<u>\$ 127,809</u>	<u>\$ 1,891,259</u>

See Notes to Financial Statements

**American Council on Science and Health, Inc.**

Statements of Functional Expenses

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Scientific and Educational	Management and General	Fundraising	Total Expenses	Scientific and Educational	Management and General	Fundraising	Total Expenses
<b>PERSONNEL</b>								
Salaries and wages	\$ 681,644	\$ 69,502	\$123,093	\$ 874,239	\$ 634,579	\$ 88,539	\$ 77,411	\$ 800,529
Young scientists in America - wages	11,320	-	-	11,320	-	-	-	-
Payroll taxes	48,169	4,911	8,698	61,778	44,857	6,259	5,472	56,588
Employee benefits	54,722	5,580	9,882	70,184	45,637	6,367	5,567	57,571
Total Personnel	<u>795,855</u>	<u>79,993</u>	<u>141,673</u>	<u>1,017,521</u>	<u>725,073</u>	<u>101,165</u>	<u>88,450</u>	<u>914,688</u>
<b>OTHER THAN PERSONNEL COSTS</b>								
Direct mail expenses	3,945	-	181,285	185,230	-	-	144,849	144,849
Insurance	7,963	2,654	2,654	13,271	8,047	2,682	2,682	13,411
Merchant processing fees	2,159	687	425	3,271	1,622	516	320	2,458
Miscellaneous	87	290	17	394	1,252	914	247	2,413
Network and computer expenses	8,342	2,654	1,643	12,639	7,007	2,229	1,380	10,616
Office equipment rental	3,676	375	664	4,715	3,959	552	483	4,994
Postage, storage, and freight	4,933	580	290	5,803	3,715	437	219	4,371
Printing and reproduction costs	17,614	2,072	1,036	20,722	13,501	1,588	794	15,883
Professional fees	25,399	44,853	72,663	142,915	11,821	47,396	66,873	126,090
Rent and utilities	255,212	8,059	5,373	268,644	213,054	6,728	4,485	224,267
Research	187,542	-	-	187,542	130,734	-	-	130,734
State registration fees	-	-	4,314	4,314	-	-	4,345	4,345
Stationery and office supplies	8,173	833	1,476	10,482	5,767	804	703	7,274
Telephone	6,535	666	1,180	8,381	5,780	806	705	7,291
Travel, meetings, and conventions	25,319	-	4,468	29,787	21,483	-	3,791	25,274
Travel - Washington DC	-	8,691	2,273	10,964	-	3,061	801	3,862
Website sidebar placement and other internet costs	<u>52,160</u>	<u>-</u>	<u>-</u>	<u>52,160</u>	<u>65,470</u>	<u>-</u>	<u>-</u>	<u>65,470</u>
Total Other Than Personnel Costs	<u>609,059</u>	<u>72,414</u>	<u>279,761</u>	<u>961,234</u>	<u>493,212</u>	<u>67,713</u>	<u>232,677</u>	<u>793,602</u>
Depreciation	<u>4,457</u>	<u>454</u>	<u>805</u>	<u>5,716</u>	<u>4,813</u>	<u>671</u>	<u>587</u>	<u>6,071</u>
Total Expenses	<u>\$ 1,409,371</u>	<u>\$ 152,861</u>	<u>\$ 422,239</u>	<u>\$ 1,984,471</u>	<u>\$ 1,223,098</u>	<u>\$ 169,549</u>	<u>\$ 321,714</u>	<u>\$ 1,714,361</u>

See Notes to Financial Statements

**American Council on Science and Health, Inc.**

Statements of Cash Flows

	<u>Year Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (787,064)	\$ (581,536)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gains on investments	(69,651)	(56,993)
Depreciation	5,716	6,071
Changes in operating assets and liabilities		
Contributions receivable	(112,746)	(813)
Prepaid expenses and other current assets	(15,005)	7,432
Accounts payable and accrued expenses	36,255	5,215
Security deposit	(6,000)	-
Deferred rent liability	42,516	63,845
Net Cash from Operating Activities	<u>(905,979)</u>	<u>(556,779)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(9,948)	-
Proceeds from sales of investments	728,795	700,248
Purchases of investments	<u>(26,893)</u>	<u>(56,017)</u>
Net Cash from Investing Activities	<u>691,954</u>	<u>644,231</u>
 Net Change in Cash	 (214,025)	 87,452
<b>CASH</b>		
Beginning of year	<u>308,370</u>	<u>220,918</u>
 End of year	 <u>\$ 94,345</u>	 <u>\$ 308,370</u>

See Notes to Financial Statements

## **American Council on Science and Health, Inc.**

### **Notes to Financial Statements**

June 30, 2018 and 2017

#### **1. Organization and Tax Status**

American Council on Science and Health, Inc. (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, 2018 and 2017, 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, Inc.**

Notes to Financial Statements  
June 30, 2018 and 2017

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

#### **Investment Valuation**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Purchase and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include gains and losses on investments bought and sold as well as held during the year.

#### ***Property and Equipment***

Property and equipment are recorded at cost at date of acquisition or, if received through donation, at estimated fair market value on the date received. Major improvements and repairs are capitalized and minor maintenance and repairs of property are expensed as incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets which range from three to five years.

#### ***Accounting for Uncertainty in Income Taxes***

The Council recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management is not aware of any exposure to uncertain tax positions that require financial statement recognition or disclosure. The Council is no longer subject to examinations by the Federal government for periods ending on or prior to June 30, 2015.

#### ***Contributions***

Contributions are recorded in the statement of activities when an unconditional promise is received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. Pledges receivable due in more than one year are discounted using a risk adjusted rate of interest. The discount is amortized to contribution income over the expected collection period.

Contributions of assets other than cash are recorded at the estimated fair value on the date of donation.

**American Council on Science and Health, Inc.**

Notes to Financial Statements  
June 30, 2018 and 2017

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

***Advertising***

Advertising is expensed as incurred.

***Compensated Absences***

The Council allows employees to receive compensation for vacation, personal, and sick leave, with certain limitations. The accompanying financial statements include an accrual for unused vacation leave. While unused sick and personal leave may be accumulated indefinitely, it can only be used for actual sick and personal leave and is not payable upon separation of employment. Since the amount of accrued sick and personal leave that will ultimately be taken cannot be reasonably estimated, it is the Council's policy to record the cost when actually paid to employees. As of June 30, 2018, the total unused sick and personal leave that could be taken amounts to approximately \$90,000. Additionally, the Council offers to pay one week of salary for each year of service, up to a maximum of 10 weeks of salary, in the event an employee has a serious illness requiring hospitalization. The potential maximum cost that could be incurred under this policy as of June 30, 2018 is approximately \$63,000.

***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 11, 2019.

**3. Going Concern**

For the years ending June 30, 2018 and 2017, the Council incurred decreases of net assets of \$787,064 and \$581,536. If the current rate of decrease in net assets were to continue, liquid assets may not last one year from February 11, 2019.

To avoid any further projected cash outflow deficit, Management has plans to decrease payroll and benefits expenses by \$250,000; reduce other general operating expenses including meetings, travel, promotion and costs associated with direct mail outreach by \$100,000; negotiate to exit the current New York City office lease and find a more affordable location. Management has entered into an agreement-in-principal to close the Washington D.C. office for a one-time payment of approximately \$45,000.

Additionally the Council plans to increase revenue via donor bequest commitments, continuing the growth trend of contributions received via online services and social media outreach, and personalizing donor relationships and commitments via targeted appeals.

## American Council on Science and Health, Inc.

### Notes to Financial Statements June 30, 2018 and 2017

#### 3. Going Concern (*continued*)

There can be no assurance that the Council will be successful in exiting its New York City lease, increasing revenue, or reducing expenses. Due to this uncertainty it is unclear whether the Council will be able to continue as a going concern within one year after these financial statements were available to be issued. The financial statements do not include any adjustments that might be necessary should the Council be unable to continue as a going concern.

#### 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	2018		
	Level 1	Level 2	Total
Equity securities			
Domestic	\$ 354,961	\$ -	\$ 354,961
Foreign	43,570	-	43,570
Exchange traded funds			
Domestic	24,565	-	24,565
Municipal bonds - taxable	-	107,408	107,408
Corporate bonds	-	465,794	465,794
	<u>\$ 423,096</u>	<u>\$ 573,202</u>	<u>\$ 996,298</u>

  

Description	2017		
	Level 1	Level 2	Total
Equity securities			
Domestic	\$ 818,464	\$ -	\$ 818,464
Foreign	43,570	-	43,570
Exchange traded funds			
Domestic	70,460	-	70,460
Municipal bonds - taxable	-	111,622	111,622
Corporate bonds	-	584,433	584,433
	<u>\$ 932,494</u>	<u>\$ 696,055</u>	<u>\$ 1,628,549</u>

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, 2018 and 2017.

*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.

*Municipal 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.

## American Council on Science and Health, Inc.

### Notes to Financial Statements June 30, 2018 and 2017

#### 4. Investments and Investment Return *(continued)*

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

	2018	2017
Interest and dividends	\$ 38,129	\$ 55,587
Realized gains	198,137	169,968
Unrealized losses	(128,486)	(112,975)
Investment Income, Gross	107,780	112,580
Less investment fees	(11,254)	(14,642)
Investment Income, Net	<u>\$ 96,526</u>	<u>\$ 97,938</u>

#### 5. Contributions Receivable

Contributions receivable of \$120,801 and \$8,055 at June 30, 2018 and 2017 represent unconditional promises to give to fund operations for the years ended June 30, 2018 and 2017 that were not paid in full prior to June 30, 2018 and 2017. All amounts are due within one year. Approximately \$118,000 is receivable from persons who are both officers and members of the board.

#### 6. Property and Equipment

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

	2018	2017
Office furniture and equipment	\$ 97,270	\$ 87,322
Computers	<u>24,867</u>	<u>24,867</u>
	122,137	112,189
Less accumulated depreciation	(102,802)	(97,086)
	<u>\$ 19,335</u>	<u>\$ 15,103</u>

#### 7. Pension Plan

The Council maintains a defined contribution pension plan (the "Plan") qualified under Section 403(b) of the Internal Revenue Code covering all of its eligible employees. Eligible employees may make voluntary contributions to the Plan. Employer contributions to the Plan are at the discretion of the Council and are computed as a percentage of each employee's basic compensation for all enrolled members who have completed one year of service. Employer contributions charged to expense amounted to \$0 for the years ended June 30, 2018 and 2017.

## American Council on Science and Health, Inc.

### Notes to Financial Statements June 30, 2018 and 2017

#### 8. Operating Leases

The Council has entered into lease agreements that expire at various times through April 2027 for office space in New York City and Washington D.C. The lease agreements contain 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 2018 and 2017, including utilities and escalations, totaled \$206,825 and \$146,820, respectively.

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

Year Ending June 30,	Amount
2019	\$ 238,356
2020	248,979
2021	262,538
2022	282,085
2023	289,137
Thereafter	1,053,534
	<u>\$ 2,374,629</u>

#### 9. Temporarily Restricted Net Assets

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

	2018	2017
Young Scientists in America	\$ 42,788	\$ 54,108
Elizabeth Whelan Chair in Epidemiology	73,701	73,701
Big Fears, Little Risks	44,382	-
	<u>\$ 160,871</u>	<u>\$ 127,809</u>

Amounts released from temporary restrictions consisted of the following for the years ended June 30:

	2018	2017
Young Scientists in America	\$ 11,320	\$ -
Big Fears, Little Risks	32,200	-
	<u>\$ 43,520</u>	<u>\$ -</u>

## **American Council on Science and Health, Inc.**

### **Notes to Financial Statements June 30, 2018 and 2017**

#### **10. Related Party Transactions**

Contributions of approximately \$124,650 and \$174,000 were from board members for the years ended June 30, 2018 and 2017.

The Council pays \$5,000 a month to a company owned by a person who is an officer and board member in exchange for a sidebar located on the company's website displaying links to articles produced by the Council. The Council paid the company \$50,000 and \$60,000 for the years ended June 30, 2018 and 2017.

#### **11. 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.

\*\*\*\*\*